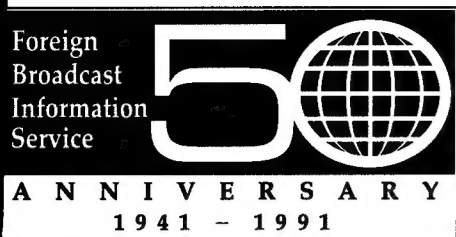


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NATO Secretary General Woerner Interviewed

91BA0909A Bucharest ADEVARUL in Romanian
4 Jul 91 pp 1, 6

[Interview with NATO Secretary General Manfred Woerner by Dumitru Tinu in Brussels; date not given: "Balance and Partnership"—first paragraph is ADEVARUL introduction]

[Text] NATO Secretary General Manfred Woerner arrived in our country last night on an official visit. In Brussels, before his departure for Bucharest, he gave the following interview to ADEVARUL chief editor Dumitru Tinu.

[Tinu] Mr. Woerner, as it is easy to deduce, in the context of the spectacular changes that have occurred in Europe, NATO itself is experiencing the most radical reorganization in its entire history. What are the features of this process of adjustment to the new realities?

[Woerner] You are correct in saying that the changes undertaken by the Alliance after the London summit of July 1990 were the most profound in its entire history. These changes will indeed affect all of NATO's manifold activities.

I will begin by recalling the change in our relations with our old adversaries in the Warsaw Pact, because chronologically, that was the first element of this process of adjustment. The allies ended the cold war period by initiating a series of concrete measures aimed at establishing a collective security that should include the Central and East European countries, too.

First of all, leaders of those countries paid many official visits to NATO. Speaking for myself, I went a few times to Central and East European countries.

In fact, NATO has perfected a system of diplomatic links with those countries, the purpose of which is to establish contacts and exchange experience. At the beginning of June, during the Copenhagen meeting of foreign ministers, we decided to develop the cooperation between NATO and those countries, including in military areas, and to expand the dialogue with them.

At the same time, I want to add that the Allies have made great progress in disarmament negotiations with Central and East European countries.

The second phase of changes in the Alliance is now being implemented. They involve adjusting its strategy to the realities of European security, whereby the objective is to have fewer, but more mobile forces. The May meeting of the ministers of the Defense Planning Committee has already opened up a broad path in that direction by envisaging the creation of a rapid deployment force, and the summit meeting of heads of state and government of the 16, scheduled for November, will mark another important phase in this process.

And finally, together with the European Community, the WEU [Western European Union], and the CSCE, the Alliance plays a key role in building a new European architecture based on complementary institutions.

That is precisely why, at their latest ministerial meeting in Copenhagen, the Allies spoke out in favor of developing a European security identity that should permit the development of a European column within the Alliance.

In fact, the Allies pay greatest attention to the CSCE process, since it is the origin of its institutionalization.

[Tinu] NATO was created in reaction to the threat posed by the Soviet Union and the Warsaw Pact. Now that the Pact has been dismantled and the Soviet Union has pulled its troops inside its own borders, do you think that there is really any threat left to justify NATO's current military scope?

[Woerner] I don't think that at present we can still talk in terms of a "threat." But while the direct threat posed in the past by the Warsaw Pact troops massed on the borders of some of the NATO member-states has completely disappeared, that does not mean that there is no longer any danger for European security. From now on we do not view the Soviet Union or any other Central or East European country as an enemy. We wish to cooperate with them to engineer a new security for all of Europe. Nevertheless, I will remind you that the Soviet army is still the most powerful army in Eurasia, and that the USSR also maintains what is undoubtedly the largest nuclear arsenal on the globe. Despite its current economic and political difficulties, it is still the only superpower in Europe. Such a power requires a counterforce and it is the role of the Alliance to ensure a balance.

On the other hand, there are new threats of instability in Europe, as well as dangers to the security of allies in areas outside Europe, as was demonstrated by the Gulf crisis. Consequently, NATO's military structure is needed. As I was saying, this military structure must be adjusted to the new security realities in Europe, which in effect means achieving a smaller and more mobile force.

[Tinu] Especially after the Gulf war there have been intensive discussions about expanding the radius of action of the planned rapid deployment force beyond the borders of the North Atlantic Pact. Is there unanimity of opinion on this matter?

[Woerner] Not in the least. The decision to create a rapid deployment force does not call for any change in the political orientation of the Alliance regarding possible military conflicts outside the zone covered by the Washington Treaty. As you know, the collective defense obligation applies to a limited geographical area, namely to the area defined under Article VI of the Treaty. In fact, in contrast to the deployment of the Allied Mobile Force in Turkey, the Allies' military deployments in the Gulf region came in the wake of decisions taken outside the area of intervention of NATO. I am convinced that the Allies will wish to continue to make this separation.

[Tinu] The pressing request of some East European countries to join NATO was met with a categorical refusal. Can you tell us what the reasons were for the refusal?

[Woerner] You must remember that for the time being none of the governments of the new democracies have

officially applied to join NATO. Moreover, it must also be noted that NATO does not wish to alter the political balance in Europe or to expand its military frontiers to the East.

Having said that, we are aware of the security problems of the Central and East European countries, and that is precisely why we take that situation into account. The states in question do not want to be either neutral or to belong to any buffer zone, nor do we wish any such thing. We want these countries to become good partners and at the same time we hope that they will contribute to the creation of a new order in Europe. As the foreign ministers said at their recent meeting in Copenhagen, the security of the NATO member-states is inseparable from the security of the other European countries.

[Tinü] What do you think about the CSCE-NATO combination? In a Europe stretching from the Atlantic to the Urals is this kind of cohabitation still possible?

[Woerner] There is no competition between the CSCE and NATO. On the contrary. In their case it is more suitable to talk of a complementary relationship. Indeed, the CSCE cannot create security *ex nihilo* [out of nothing]. It in fact rests on the foundations of existing security, one of the most important of which is NATO.

We must stress that the CSCE process is not in the least capable of becoming some "League of Nations" or some European "United Nations." Its role is and will always be to facilitate cooperation in the area of security and to permit the development of mediation efforts should there be tension between any of its members.

[Tinü] Your visit to Bucharest, in your role as NATO secretary general, is the first of its kind. What was actually the object of your visit to Romania?

[Woerner] My visit to Romania is a consequence of the London Declaration of 1990. In reality, I am visiting all the Central and East European countries at the invitation of their governments and the objective of my visits is clear. We wish to expand our dialogue, to exchange ideas, and to express our support for democratic reforms.

[Tinü] Mr. Woerner, what is your view of the future relations between Romania and NATO?

[Woerner] Strengthening our relations with the Central and East European countries is a gradual process within which considerable progress was recorded in the wake of the London Declaration. We are maintaining an ongoing dialogue with Romania, which is aimed at identifying areas of cooperation and is based on the Copenhagen document on "Partnership with Central and East European Countries."

I hope that my visit will lead to further development of our relations and that we will be able to exchange views on a broad spectrum of issues of common interest.

Further on, these discussions will afford our experts a framework for finalizing specific cooperation projects. The Alliance wants to intensify its relations with Romania and is willing to consider any new suggestion for dialogue and cooperation. Although equality and absence of discrimination are the principles on which our relations with Central and East European countries are based, the Allies will undoubtedly consider the progress made along the path of democracy and respect for human rights when expanding the range of their contacts.

Editorial Launches Ecology Party Paper

AU2907102091 Tirana ALBANIA in Albanian
19 Jul 91 p 1

[Editorial: "Bowling the Knee Only to the Nation"]

[Text] The Albanian Ecology Party, regardless of the day of its "baptism" by the Justice Ministry, was the first opposition party in Albania. It arrived on the stage of national history without a great deal of commotion but on the highly significant date of 28 November [Independence Day]. It therefore has the indisputable credit of being the first to usher in the climate of pluralism in Albania.

The Albanian Ecology Party's political line, laid down very clearly in its program, is entirely original and distinct from those of all other parties. It powerfully embodies an affirmation of the history of our people, a history written in the blood of the heroes who fell and who lead the country forward today. It is an embodiment of everything that was healthy in the achievements of these 47 years since the liberation. Universal education, the entire country's electrification, the creation of an entire generation of intellectuals, the elimination of dangerous diseases that has brought longer life expectancy, and other achievements are not to be overlooked. Anyone who discounts these things loses credibility among the people.

However, the Ecology Party does not idealize but cool-headedly judges and learns from the errors of the past. It learns and acquires obligations from the class struggle that was pursued down the generations, thus damaging unity. It learns and acquires obligations from the policy of isolation that prevented us from seeing, let alone tasting the world. However, the people's great spirit was evident throughout the battles to drain swamps and build hydroelectric stations. Anyone who disparages these things casts doubt on the people's heroic creativity.

Our party's program includes a struggle for a full and pure natural ecology. It is nature herself, lovely and glorious nature, who achieves the greatest equilibrium in life. Nature has granted to man a profusion of trees, plants, and flowers. She has granted to man a profusion of birds and beasts. The beauty of the forests is lovelier than the most superb painting. The chirping of the birds is the most perfect symphony. But what state are they in? Let us say bluntly, not a good one. The hand of man has thoughtlessly interfered. This is why thousands of hectares of forest have disappeared and many species of animals are almost entirely extinct. The Albanian Ecology Party will strive to reestablish without delay an ecological balance, which first of all means health, and then the beauty and majesty of nature. We have tourist spots and tourist areas; now we must make all Albania a tourist spot.

The greatest and most incomparable form of beauty is spiritual beauty. In this sense too, our party has a major task. The rich cannot experience the same feelings as the poor. The same flowers do not "strike root" in their souls. In no way. Our party, naturally through pressure on the government, will work to ensure that people are not trampled on. It is the rule of law that will be able to illuminate truth and justice. When we say this, we are

bearing in mind that truth and justice, as virtues, are the property of those who do not besmirch their consciences and souls. Thus, truth and justice are not privileges hung like medals round the necks of the rich or those holding positions, but are the property of everybody. Our party will have the following motto: Life without honesty and truth is no life.

In the climate of pluralism, our party is sun, wind, and rain. Its sun will warm and illuminate with its light; Its wind will blast and shrivel with its "frost" wherever necessary; its rain will nourish life with all its strength. Our party has strength, and a great deal of it. It has an entire army of educated people who are increasingly joining our party's ranks; it includes all those workers who are increasingly feeling that it is our party that is closest to them; it includes a considerable proportion of our splendid young people who understand that they have their place in the seedbed of Albania as the flowers that they are; it includes many, many cooperativists whose eyes fill with tears at nature's boundless greenery; it includes women and girls throughout Albania who cannot understand life without natural and spiritual ecology.

While our party has a noble mission in its policies on problems at home, it has an equally noble mission in important international issues. The Albanian Ecology Party is experiencing with pain the drama of Kosovo, and joins the ranks of the most ardent supporters of the rights of the Albanian people living on their own territories beyond the state border. It recognizes and supports the Republic of Kosovo, and congratulates and supports the creation of the Interparty Coordinating Council as the first stage in Kosovo's political integration. Our party's members and supporters loyally support and will support the great cause: Kosovo—Republic.

Like other parties, the Ecology Party also has its counterparts in many countries of the world. It has begun communication and cooperation with some of them, such as those in Germany, the Soviet Union, Macedonia, etc. The Albanian Ecology Party will make every effort to expand and deepen relations with all ecology parties, on the basis of the idea and conviction that this is to the good of the party and the people.

The newspaper ALBANIA, with its symbolic and highly significant name, will be the party's soul, because it will speak in the language of a pure heart, with freedom of thought, without passion or insults against anybody, but as man wishes and God trusts. The greatest lesson and wish is: Bowling the knee only before the nation.

ALTERNATIVA SD Editor on Role of New Paper

AU2907082891 Tirana ALTERNATIVA SD
in Albanian 12 Jul 91 p 1

[Article by Ylli Pango, candidate of sciences, chairman of the ALTERNATIVA SD Publishing Council: "ALTERNATIVA SD in Your Hands..."]

[Text] The period of propaganda and the monist press has finally come to an end—dogmatic, false, embellished, the

press of hallelujahs and lies, the press that hid the truth under orders from above. After clothing for years on end the crippled body of our nation in the garb of morality and ideal justice, it finally turned to political prostitution, changing its face, and denying everything it had so far fanatically defended.

There was in the end nothing left of the outworn garb of this press but rags, through which one could see the exhausted body of the century or so-old dogma that attracted nobody any longer. In order to slightly adorn this dogma, they have recently been trying to clad it in a new garment borrowed from others, and to apply some cosmetics. But in vain. The old hag now has nothing left but her wrinkles and her lonely and pitiful voice that serves only as a reminder to people that the shadows and ghosts of the past are still present and must be fought against all the more strongly.

In its place, the new opposition propaganda and press has appeared, alongside which ALTERNATIVA SD will take its place, and will try to add a new, original, fresh, and powerful voice to this chorus of truth and justice.

We believe that ALTERNATIVA SD, which will include contributions from members and supporters of our party, the country's most well-known intellectuals and names,

and young people, will be able to pave new roads toward building a better future for Albania.

Through it, we will try not only to carry propaganda for our party policies and our views on the country's political life, but to put forward solutions for the most important problems of the economy, art, culture, and science.

Our press will also reflect the life and rich experience of social democratic parties in the world, so that we may get to know them and gain as much as possible from them. We will try to reflect closely and openly the most important events and problems of the day, especially those in the life of our country, leaving nothing hidden or in the shade of oblivion. We will of course continue to write and speak about the past, not turning our backs on it, as some people would wish. How could we do that when this past persists into the present? No, we will write and talk about everything belonging to this past, analyzing it in detail, and bringing to light everything dark and evil that has left us so far behind the civilized world and isolated from it.

However, we will always tie this past to the present and the future, struggling incessantly to protect human rights, to reform society, to heal the wounds of our long-suffering nation, and to advance without reservation or hindrance toward the construction of a new society on the European model.

Views, Positions of President Zhelev Criticized
91BA0832A Sofia VEK 21 in Bulgarian 5 Jun 91 p 4

[Editorial by Nikolai Slatinski: "The President Is Dear to Me, but..."]

[Text] "The question has been discussed whether the newspaper OTECHESTVEN FRONT can become an organ of the Union of Democratic Forces. I answered that I welcome the idea."

—28 December 1989, Zhelyu Zhelev

1. Already I have worried the whole month, fought with my conscience, embracing the pain in my heart, whether to write this article or not. Meanwhile, new facts and new events accumulate like irrefutable arguments. And the recent sessions of the multicolored Politburo and the whim for the premature referendum as an effective way to divert attention destroyed my forbearance. Unceremoniously ignoring the opinion of the deputies leaving parliament, this "roundtable" not only repeated word for word the unfortunate political agreement of 3 January, swapping the month for conducting new parliamentary elections after the classic formula "September shall be May!", but, with their relapses, also resembled all the injuries that the constant conciliations with the communists introduced into the democratic processes in Bulgaria.

2. And my soul ached because I had to sharply criticize Zhelyu Zhelev. I had never imagined that I would be forced to write like this about an undoubtedly bright personality in contemporary Bulgarian political life, about this magnificent person, about this valiant philosopher, about yesterday's leader of our opposition, about the first legal president of the country. But I must write. Mr. Zhelev is dear to me, but Bulgaria's freedom and its return to a democratic state are even dearer.

3. I categorically disagree with the president's position regarding the recent events in parliament and the decisive actions of the 39 deputies. Clearly disinformed by his closest circle, he was misled that those 39 persons were not so solid as to keep their word—and, as a result, the shortsighted, manipulative petition that, with their departure, nothing special would occur. Happen it did, Mr. Zhelev, and how. Unfortunate that precisely he who needed ears did not hear, and he who needed eyes did not see. And went to save the dying Grand National Assembly, in which for the last time the communists have a majority and, with this majority, are preparing the trap for the yearned-for constitution, foreshadowing immediate presidential elections, when the reform reaches the depths of social tension and, with the nostalgia of the old prices, the ghost of Lukanov will materialize.

4. The sadly renowned Mr. Ivajlo Trifonov declares: "I think that in parliament a reasonable, centered nucleus from the two "sides" has already formed, which is interested in real economic and political reform in Bulgaria."

The even more sadly renowned Mr. Andrej Lukanov is of the same opinion: "I, as a person who maintains strong contacts with the Union of Democratic Forces (SDS), even before this political formation appeared, I confirmed that

yes, there are reasonable forces in the SDS, and joyously reasonable forces. And in our party there are reasonable forces. We must fight for one union of reasonable forces. The SRS (Union of Reasonable Forces)."

A touching accord! And you, dear friends of the SDS, cry from anguish on 10 June, before 11 June, sacrifice your health, optimism, family happiness, money, and hopes, stand in rain or snow, in cold and sweltering under the blue banners. Much health to you, who are not reasonable. And let us recollect how, with his election as president, Mr. Zhelev magnificently explained what this tender revolution was....

5. The entire war that the president declared on the monarchy fills me with regret because, peeking out from it, is self-interest. And, when self-interest entwines a person like Zhelyu Zhelev, that is unbearably sick. On 7 January in Khaskovo, Zh. Zhelev advised Simeon II and his family that they "should not carry with them any illusions about the restoration of the monarchy and the Coburg-Gotha dynasty." Afterwards, with and without reason, he completely routed several tens of thousands of poor monarchists, using energy that would have been better directed against the criminally barbarous army of the communist *nomenklatura*. The height of this phobia was the speech on the feat of the Aprilists on 1 May, where the word "Republic" and its derivations were used more than 20 times, to the amazement and mockery of those present. However, was it not the height when, as in the meeting with the deputy communists, the president continued to assert that we, "the dark forces," are dreaming rosy monarchist dreams?

Going back a little way, how did it happen that Zhelev was present at exactly that session of the Constitution Commission at which was discussed whether the lion on the new coat of arms should have a crown? Guess what thesis protected the president then.

But the ease with which he first of all legalized the referendum for the Republic, conducted in conditions of foreign occupation, and afterwards in silence supported the parliamentary proposal for a new referendum instead of elections for an immediate change of the system...

With awkward and strained actions, the presidential team exaggerating the danger (!?) of restoring the monarchy and something more are sowing fierce monarchist feelings in the country. Every political violence over the natural pace of the processes, regardless of the motives, sooner or later compels its perpetrators to accept without any reservations the appropriate historical responsibility.

6. Because of the article about Zhelyu Zhelev, filled with outspoken nonsense, by Prof. Dobrin Spasov, whom I otherwise respect, at this good preelection time, I thought to let this point pass. But he is an essential part of my argument, and I cannot do without him. Zhelyu Zhelev is doomed to pay the ceaseless consequences of Marxism, in spite of his heroic fight against this theory built for consciousness. Marxism will always place stops in that valuable system that is penetrated. People will always try to evade it, to outgrow it, but they will never completely

succeed. With the naked eye, one can see how Zhelev makes a brilliant Marxist analysis of the changes in Europe and Bulgaria (for example, in his speech before "Global Penal" in Amsterdam), but, for all that, he continuously stumbles against the wall of the productive forces and the relations of production, of the base and the superstructure, of the class struggle and other concepts, categories, and schemes. As a Marxist, Zh. Zhelev yields rather often to the temptation to accent the formal indications of political change in Bulgaria and, with that, to prove that the political structures of the system have been pulled down. But isn't the trouble that the economic structures of the system's power are practically untouched? The communist party rules in Bulgaria mainly because it holds its hands on the economic levers. And the formal signs of political change (an opposition president, a multiparty parliament, a coalition government, provisional local administrations) are the guise of the old rulers, the most convenient form of their legitimacy. And right here the following thought by Zhelev comes to mind: "The last and only chance that history presents to us is perestroika. From this point of view, perestroika is nothing but a peaceful, humane, cultural transition from the state to the private, from the monopolistic to democratic capitalism. A transition. Really, not so romantic and heroic a transition as the one from capitalism to socialism, but, on the other hand, realistic, unfabricated, and historically necessary."

That is how Zhelyu thought before 10 November. That was the embryo of the peaceful transition, with an accent on "peaceful" and not on "transition." Then was begat this present-day variant of reform, and, not to change the system, which begins erosively to degenerate perestroika with metastasis.

7. Perhaps most complex is the president's position on the ethnic problems, promoted in Bulgaria to the rank of a national issue. I cannot estimate how competent Zhelev's assistants are on this conflicting and sickly subject, but I would like him to be more exact and synonymous in his statements so as not to be forced to give additional explanations later on, which only sound like excuses. I would like the national interests to be based more on the Black Sea partnership-market. I would like our road to Europe to go through Bulgaria and the Balkan Peninsula and not through Washington, pursuing its own interests before everything else and in whose heart lies mainly Turkey. I would like the presidential heart to have much more love toward our brother Bulgarians, living in lands not included in our present territory. I would like the president to learn to call the inhabitants of Macedonia Bulgarians. I would like him to suffer less from internationalism and to accent the guarantee and protection of individual rights, instead of peering with a forced effort at the far more abstract and strongly politicized collective minority rights. And I think like this, not as a nationalist but as a Bulgarian, a citizen of a one-nation state—a completely real and concrete country, with very real and concrete ethnic problems, with very real and concrete neighbors and a very real and harsh centuries-old historical experience, and it is a pity not to learn a lesson from this.

8. Like every person, the president makes purely human blunders, which he must battle if his character is continually strong and his spirit courageous. Then there would not be such conspicuously slow reactions, like that upon finding that the recording with the notorious phrase by Petur Mladenov is authentic. Then there would be no more straightforward blunders like throwing out that the SDS entered the Bulgarian National Assembly with a prepared draft of the constitution. Then he will not be so inaccessible to people and, even more, for information, different from that thoroughly infiltrated by his confidants. Then he would not reveal his soul before narcissistic and ungrateful journalists of the Velislava Dureva type, pricking him with her herbarium together with declared political bodies from the recent past and the even more recent present.

9. I realize that, with this article of mine, I risk being reproached for excessive sharpness toward a person who, with his active international contacts and strenuous labor for building the opposition, stands more than anyone for democracy in Bulgaria. Even now, as I finish the article, I am feeling much remorse and uneasiness. And it was actually the book *Fascism* that in May 1983 detonated my thinking. And, in spite of everything, the respect for Mr. Zhelev will not die in one single heart, beating with the pulse of democracy. For that very reason, he is in need of criticism. As long as the apparatus and the *nomenklatura* of a hastily renamed communist party rule in the country tangibly and unpunished, the president should not forget that he was the leader of the Union of Democratic Forces. He has not fulfilled his mission. And something more—that that is already suspected is multiplying, that this mission is within his powers. The red warning light has flashed. Bulgaria is still a communist country, but it is not too late to become democratic. And the peaceful transition is peaceful because it is accomplished through elections. The sooner the better. God grant that they be free and honest.

Alternative Socialist Worried Over BSP Renewal

AU2607093491 Sofia DUMA in Bulgarian 22 Jul 91 p 2

[Report by DUMA PRESS]

[Text] The Bulgarian Socialist Party [BSP] can and must win the next elections, but only if it adequately transforms itself into a party of the left with a clearly expressed social democratic character. This is stated in a viewpoint of the Political Council of the Alternative Socialist Association [ASO].

All initiatives for unity of action within the party would be supported by ASO, provided that they do not oblige the association to choose victory at the expense of the party's renewal.

We stand for unity of action against all those who refuse to see the differences existing among us—this is how ASO interprets unity of action by the ideological tendencies, platforms, and associations within the BSP. In ASO's view, these groups should be united in defending the ideas of democratic socialism and in counteracting all the forces that present a threat to democratic processes.

The forthcoming elections should not be a battle but should be a high point of tolerant political dialogue. The ASO members consider that, as a party that is reforming itself, the BSP can establish this dialogue in political life only if it maintains the necessary dialogue within the party itself.

SDS To Fight Elections With Single Party List

*AU2907100491 Sofia DEMOKRATSIYA in Bulgarian
23 Jul 91 p 1*

[“Appeal of the National Coordinating Council of the Union of Democratic Forces,” issued on 22 July in Sofia]

[Text] The National Coordinating Council of the Union of Democratic Forces [SDS] confirms that, in accordance with the decisions of the two national conferences and the SDS National Coordinating Council, the SDS will take part in the parliamentary and local elections with a single blue ballot paper and a single blue party list. Only one SDS exists. Individual leaders, parties, and movements that do not accept the decisions of the National Conference and the National Coordinating Council regarding a single ballot paper have no moral right to misappropriate and use the SDS name.

In parliament, the SDS is represented by the deputies who did not vote for the Constitution. The SDS parliamentary group includes representatives of parties with liberal, neo-conservative, social democratic, Christian democratic, and other ideologies that form the SDS coalition.

According to the resolutions of the Third National Conference, the SDS also has the character of a movement, thanks to ancillary formations of the type of citizens committees. The National Coordinating Council counts on all of the opposition organizations and their structures throughout the country. In cases where a conflict of views is established between individual figures on the one hand and the local structures on the other, we call upon all parties and movements to immediately notify the National Coordination Section, No. 134 Rakovski Street, Sofia 1000, fax Nos. 80-12-55 and 65-93-35 of their views on the issues of SDS unity, on the single blue election list in the forthcoming parliamentary elections, and on the more complex questions concerning unity of action in the local authority elections.

Post-1944 Repression Victims Support SDS

*AU2607154991 Sofia DEMOKRATSIYA in Bulgarian
22 Jul 91 p 2*

[Report by Spasiana Evtimova: “The Union of Post-1944 Repression Victims Will Be With the Union of Democratic Forces”]

[Text] At a meeting held on Saturday, 20 July 1991, the Club of Post-1944 Repression Victims adopted a resolution to be renamed “Union of Victims of Repression in Bulgaria Since 12 September 1944” [“Soyuz na represiranite v Bulgariya sled 12. Septemvri 1944”]. Mr. Ivan Nevrokopski, chairman of the union, attended the meeting. During the meeting, Mr. Milen Stoyanov, deputy chairman of the union, provided some explanations on the

law for the civic and political rehabilitation of repression victims. On Wednesday, 17 July, a preliminary commission composed of representatives from the Ministry of Justice, the Ministry of Finance, the Ministry of Internal Affairs, the Sofia City Council, and members of the Victims of Repression Union reportedly started its work and discussed questions relating to the methods of providing evidence of repression. A draft instruction on the order and size of one-time compensations for repression based on categories of the repressed was submitted.

A resolution that reads as follows was adopted at the meeting: “The last leadership elected at the National Conference on 30 March 1991 by officially authorized delegates of the organization from all over the country is legitimate. As a result of this, the claims of the former leadership are unjustified and groundless. In the forthcoming election campaign, the Union of the Victims of Repression will still be on the side of the SDS, whose members are our natural allies and supporters. [no closing quotation marks as published]

The Union of the Victims of Repression urges that those responsible for the national disaster should be held materially and personally responsible for the material and other damages caused to thousands of innocent people.

Private Radio Stations Demand Airtime

*AU2907091291 Sofia DEMOKRATSIYA in Bulgarian
19 Jul 91 p 2*

[Report by Yana Georgieva]

[Text] The Association for Private Radio Initiative [Sdruzhenie za chastna radioinitsiativa] that was formed this week (and includes the Radio 99, FM—Plus, PRIMS, and Kanal Kom stations) sets itself as its first immediate task to make the state organs grant airtime to the private radio stations. The association’s members gave the journalists a copy of the official report by Bulgarian Radio Chairman Aleksandur Vladkov to Deputy Prime Minister Dimitur Ludzhev that has already raised a public scandal. It is clear, the private radio broadcasters declared, that preparations hitherto unknown in world practice are being made to sell off our national radio frequencies. According to their information, in the very near future a further four foreign radio programs, in addition to the existing three, will each “swallow a slice” of our scanty radio frequencies.

Not a single private radio station has obtained a permit to use a radio frequency. So far, the pretext offered has been the lack of a regulating clause in the Constitution. Under the new Constitution, television and radio are no longer exclusively under state ownership. The association’s representatives declared that a maximum of 10 radio stations can use the frequencies allocated to Sofia, and that the unannounced sale and allocation of frequencies will be presented to the private applicants as an accomplished fact.

Radio Journalists Protest Decision of Commission
AU2607121491 Sofia Khorizont Radio Network
in Bulgarian 0900 GMT 26 Jul 91

[Text] Here is a declaration:

The Association of the Bulgarian Journalists Union of the Radio Khorizont Program, members of the Khorizont Program's National Radio and Television Trade Union, and members of the Podkrepa Radio Association of Khorizont express their general and categorical disagreement with the decision of the Parliamentary Television and Radio Commission of yesterday, 25 July. Insofar as this decision might be put into force following its possible approval by a vote of the National Assembly, we declare the following:

First, after more than nine months of the Commission's doing nothing about the problems in Bulgarian Radio, a management vacuum has arisen at this national information institution, the consequences of which are being ascribed as the fault of the radio journalists and, more specifically, of the Khorizont Program.

Second, after the well-known decision of the Parliamentary Commission of 18 July, which we accept as a straightforward attempt at censorship, we have been witnesses of intensified and unfounded attacks and criticisms of the work of Bulgarian Radio. These lack any kind of criteria for a professional assessment of journalistic work. Instead of this, they insinuate that the journalists of the Khorizont Program and of the radio in general are responsible for the failures that exist in the country. This approach of the Parliamentary Commission leads to inciting a negative attitude in society toward Bulgarian National Radio and, at the same time, disturbs the radio's normal working atmosphere.

Third, we declare that we cannot accept the narrow bureaucratic approach of the Commission toward the creative institution of Bulgarian Radio and its attempts by purely administrative means to impose decisions, including ones concerning personnel. Presented in such a way, they are not in accordance with any type of professional criteria. This conceals dangers of an unforeseen destabilization of Bulgarian Radio and, similarly, of other national information institutions.

Fourth, the country is about to hold elections. After the many months during which the parliamentary commission has dragged its feet and shown itself incapable of acting to resolve the problems of Bulgarian Radio, now any late

attempt to make changes in the leadership before the elections is absolutely unacceptable, both from the viewpoint of those employed in Bulgarian Radio and also, in our opinion, from the viewpoint of the public interest. We also strongly object to the intention to make personnel changes that ignore the obligatory requirements to be familiar with the specific program, organizational, and management characteristics of Bulgarian National Radio.

Fifth, we hope that we will not be forced to have recourse to taking lawful trade union actions in defense of professionalism and normal working conditions at Bulgarian Radio.

In this declaration, we declare our readiness to take trade union action within the time limits stipulated by law.

[Signed] The Association of the Bulgarian Journalists Union of the Radio Khorizont Program, members of the Khorizont Program's National Radio and Television Trade Union, and members of the Podkrepa Radio Association of the Khorizont Program.

Government Approves Higher Education Bill
AU2507142591 Sofia BTA in English 1329 GMT
25 Jul 91

[Text] Sofia, July 25 (BTA)—At its meeting today the Council of Ministers approved a higher education bill in which secular higher education is defined as independent of any ideological, religious, and political doctrines. Religious higher education will be put on a par with secular education according to a procedure set forth by the state.

The institutes of higher learning will be academically autonomous. The status of state and private higher education establishments will be determined by the National Assembly. The bill also regulates the management of institutes of higher learning, the election of rectors and lecturers, the rights and obligations of students, as well as financial and property matters.

The government approved a Bulgarian-Soviet draft agreement on cooperation in the wood industry, wood processing and the reclamation of woodland in the USSR. The chairman of the Committee on Forests has been authorized to negotiate on the basis of the draft and to sign an agreement with the Soviet Republic of Komi. The Zadgranichen Durvodobiv (Overseas Timbering) Company will be established by August 31 to fulfil and control the fulfillment of the agreement.

Slovak Party Officials Discuss Dubcek

LD2607211891 Bratislava Ceskoslovensky Rozhlas
Radio Network in Slovak 1000 GMT 25 Jul 91

[Passages in quotation marks recorded]

[Text] [Announcer] Alexander Dubcek, by saying that he and the movement Public Against Violence [VPN] definitely parted ways, has released an enormous avalanche of calls, statements, and views addressed to him by deputies, political parties, and movements. We have, therefore, made use of our news conference today to ask two members of the Slovak government coalition and representatives of the Slovak National Democratic Movement to assess this step by the Federal Assembly speaker.

Jan Petrik, general secretary of the Christian Democratic Movement, is the first to take the platform:

[Petrik] "We will not support Mr. Dubcek's resignation from the Federal Assembly speaker post. We are backing Mr. Dubcek. We have more than one reason for this. One of the reasons is that he constitutes one of the unifying factors between the Czechs and Slovaks in the Federal Assembly. Another reason is that he is a well known person in Europe. He is a man who supports federation, and, for this reason, I am rather astonished at the attitude taken by the Christian Democratic Party, which is in favor of a very hard and narrow concept of the federation, that it is precisely that party which gives reason for recalling Mr. Dubcek. Mr. Dubcek acts in an above-party manner, for it is necessary that a Federal Assembly speaker acts in such a way. In this context, I would like to repeat what President Havel said several months ago, when the recalling of Mr. Dubcek from that office was also on the agenda, i.e., that he was, so to speak, a peg that keeps the enormous vault of the Federal Assembly together. I believe that this is a sufficient reason for him to remain in that post, and the Christian Democratic movement will support him in this."

[Announcer] Ladislav Gyurovsky, member of the leadership of the Hungarian Independent Initiative, gave us the following statement on the movement's behalf:

[Gyurovsky] "We have not yet reached a final decision on what kind of stand we will take on the matter. In any case, it would be very unusual if an opposition politician were to be parliamentary speaker. I believe that, should Mr. Dubcek state publicly that he is an opposition politician, in that case he could not remain a parliamentary speaker. Personally, I, however, believe that the situation will not reach such an acute stage and that Mr. Dubcek will answer such accusations and adopt a stand and that a solution will be reached that will suit the parliament's needs. I repeat, however, that an opposition politician cannot be at the head of parliament."

[Announcer] Third, Dalibor Klima interviews Marcel Mihalik, first deputy chairman of the Slovak National Democratic Movement, on the same topic:

[Mihalik] "Our view is such that Mr. Dubcek should remain in his post despite the fact that, specifically, the National Democratic Movement is in favor of creating an independent Slovak republic. Why should he remain in his

post? I do not want to use phrases about the credit he enjoys abroad, and, speaking briefly, his political thinking, in general, on the constitutional setup meets all the attributes that are today demanded from a so-called federal Slovak. From this viewpoint alone he could suit, at least until elections, both the Czechs and Slovaks who are in favor of the federative principles within the framework of the constitutional issue. What I believe is interesting in the whole affair is why the committee of the Civic Democratic Party has come to make such a proposal. We believe that since that party has taken such a course at the present time, for we have to realize that Mr. Dubcek enjoys a huge credit in Slovakia, this, in our view, means that they are reckoning also that by taking such an alternative they could thus influence more the views of the citizens of the Slovak Republic in encouraging them to give their support to an independent Slovak republic, and perhaps they are reckoning with such a psychological capital. Otherwise, we cannot see why they should do such a thing before the referendum."

[Klima] "I am not quite clear about what you are saying. Do you believe that the endeavor of the Czech side is to ensure that the onus for the possible disintegration of the republic would remain with the Slovak side and this is why they want to push Mr. Dubcek aside?"

[Mihalik] "This, too, can be a possibility, especially when we recall some statements made both by the chairman and vice chairman of that party, Mr. Klaus and Mr. Cermak, who admit the possibility of the emergence of two independent republics."

[Klima] "This would suit you?"

[Mihalik] "It would suit us. I am merely stating what may hide behind the present radical stand taken by the Civic Democratic Party in the matter of Mr. Dubcek and his post."

[Klima] "You have said that Mr. Dubcek is acceptable also to you in the Federal Assembly speaker post until the elections, despite his views on preserving the Federal Republic of Czechoslovakia. What afterward?"

[Mihalik] "We believe that the constellation of parliamentary groupings will be totally different as a result of the elections from that prevailing at the present. A great deal of discussion will be held on what kind of principle the common statehood is to be built or whether there will be a common statehood, and we believe that this will go beyond the limits of Mr. Dubcek's political thinking in the future."

[Announcer] Finally, to complete the whole picture, I will now quote from the statement made by Jozef Kucerak, chairman of the Slovak Council of Public Against Violence, published by SMENA today:

After the split between Public Against Violence and the Movement for Democratic Slovakia, Mr. Dubcek held in the key issues such as the federation, transformational laws, referendum positions that were identical with those held by VPN and which were in a direct contrast to those held by For a Democratic Slovakia. The unilateral statement made Alexander Dubcek that he has definitely split

with VPN has complicated the overall situation. Alexander Dubcek, as Federal Assembly speaker, could, if he acted consistently in an above-party manner, play a positive role in stabilizing the political stage. Should his attitude in these key questions change—that is, if he subscribed openly to opposition attitudes—the VPN movement would not insist on him continuing to hold the post of the Federal Assembly speaker, says Jozef Kucerak, chairman of the Slovak Council of VPN, in today's issue of SMENA.

Czech Press Attacks Carnogursky's Statements

AU2607142591

[Editorial Report] Prague MLADA FRONTA DNES in Czech on 24 July and Prague HOSPODARSKE NOVINY in Czech on 25 July both publish commentaries on statements made by Slovak Prime Minister Jan Carnogursky in an interview for the French daily LIBERATION. While the MLADA FRONTA DNES commentary reacts to Carnogursky's statement that Slovakia will become independent "around the year 2000," the HOSPODARSKE NOVINY commentary focuses on the Slovak prime minister's assertion that "Slovakia's evolution toward a market economy would be quicker if it were able to implement its own economic reform, without the burden of the central power."

Prague MLADA FRONTA DNES in Czech on 24 July on page 2 carries a 700-word Martin Komarek commentary entitled "Slovakia 2000." The commentary examines the motives for Carnogursky's open advocacy of Slovak independence.

Komarek recalls that only a few months ago Carnogursky made a "very similar statement" about Slovakia's independence aspirations in an interview for the Austrian daily DER STANDARD. At that time, however, he subsequently denied the statement. No such denial is "probable" this time, Komarek says, because it would probably cost Carnogursky the post of Slovak prime minister.

Explaining the pressure that Carnogursky is under, Komarek says: "The situation of the Slovak government is a very delicate one. If elections were held now, the opposition, represented by Meciar's For a Democratic Slovakia Movement, the Slovak National Party, and Weiss' Party of the Democratic Left, would perhaps gain more than three-quarters of the votes. Moreover, opposition to Jan Carnogursky is taking shape within the Christian Democratic Movement. Its representatives recently made everyone aware of their existence when they came up with the demand for the creation of a Slovak home guard. Today it is almost certain that the degree to which a Slovak politician upholds Slovak interests will be crucial for his future career."

Komarek is convinced that the "tendency toward the reinforcement of national awareness is irreversible" in Slovakia: "What was an extreme only a few months ago is the general mood today," he says. The MLADA FRONTA DNES commentator therefore believes that "it is time to start contemplating, free of any sentimentality, the future

shape of Bohemia and Moravia, because 'around the year 2000' might just as well happen in 1992."

Prague HOSPODARSKE NOVINY in Czech on 25 July on page 7 carries a 700-word commentary by Marcela Doleckova entitled "The Substance Lies Elsewhere." Doleckova reacts to Carnogursky's claim in his interview for LIBERATION that economic reform in Slovakia, if carried out independently, would be quicker than it is today.

She says: "For the time being it appears that taking steps toward the market is more difficult in Slovakia, to say the least, and that were it not for the 'burden' of the center, they would be virtually impossible to implement. The first case in point is the arms industry. I will leave aside the issue of whether Slovakia is to blame for this or how much it earned from it in previous years. I am only stating a plain fact. Next example: Is Bratislava's credit guarantee for the [Ziar nad Hronom] aluminum manufacturers perhaps an acceleration of the path toward the market? Or do the excessive subsidies for agricultural production or the coal industry accelerate the pace of the reform?"

"Bratislava does avail itself of powers for all this, and many other things. The only question is whether it is not precisely these powers that slow down the transformation [of the economy]."

Doleckova goes on to say that small privatization proceeds more slowly in Slovakia than in the Czech Republic; that Slovakia has a relatively smaller number of joint ventures with foreign companies and a smaller number of private entrepreneurs; and that, according to public opinion polls, Slovaks fear the market more than the Czechs. She also observes that the Slovak side is trying to "push through protectionist measures in the foreign trade policy sphere for branches that are dominant in Slovakia, even though the aim of the reform is precisely to fundamentally change the structure of the economy." The author therefore asks "how Jan Carnogursky could accelerate the progress of economic reform under such conditions."

In concluding, Doleckova suggests that it may be precisely Slovakia's "cautious approach" toward reform that will delay its entry into Europe.

Miklosko Discusses Situation in Slovak Parliament

AU2807135891 Bratislava PRAVDA in Slovak
24 Jul 91 pp 1, 7

[Interview with Slovak National Council Chairman Frantisek Miklosko by Antonia Vymazalova; place and date not given: "A Revival Is Impossible"—first paragraph is PRAVDA introduction]

[Excerpts] Frantisek Miklosko first granted us an interview a year ago after his election as Slovak National Council [SNR] chairman. We published it under the headline "I Want To Be the Chairman of All the Deputies." Now, a year later and halfway through the electoral period, we

asked him to evaluate the feelings, opinions, and ideas with which he entered office as head of parliament. [passage omitted]

[Vymazalova] In an interview for Radio Journal in June you mentioned a revival—specifically, bolshevism in Slovakia—that seems quite tenable to you. Why did you say this?

[Miklosko] If I said that I perceive a certain revival in bolshevism, I meant that I perceive it in uncertain people who somehow would like to intuitively return to the old well-worn trail we were on, even though this would lead us to utter catastrophe.

[Vymazalova] What do you understand by the term debolshevization, something that is being discussed more and more?

[Miklosko] Whether we want to accept it or not, for 40 years generations and categories of people were brought up here who were taught to think in a socialist manner, socialist in the ideological sense of the word. Although the most senior posts were filled in accordance with the election results, society's structure and the lower posts—in offices, ministries, and institutions—remained basically untouched. For example, the same people are working in the ministries and in the management of the majority of enterprises. I do not want a period of purges. In my first speech to parliament I called for conciliation and unity among all forces. However, I have the feeling—because there were no anticommunist attacks and no trials here and because, in this regard, we were really starting from the beginning—that these people who remained where they remained have somehow begun to perceive this as our weakness and are again asserting their views—or rather, their personal ambitions—just as they asserted them in the past when they were protected by a strong regime. At this point, it is necessary to ask what they want, are they interested in their personal ambitions or—subsequently—in some kind of revolution? I keep asking myself, what do we have to do to ensure that we keep moving forward? In no way must violence or revenge be involved. This would lead us to the same place the communists led us to after 1948. [passage omitted]

[Vymazalova] It is apparent from what you have said that what you considered to be most important last year—seeking and finding a common social climate and thus ensuring unity among all those spiritual starting points from which the solutions to economic, ecological, and social problems stem—has hardly begun yet.

[Miklosko] What I said still applies. [passage omitted] If I could suggest something, then it is—despite dealing with our economic problems and the social ones that await us—creating an authentic Slovak culture, a culture that has always been here throughout history and that is still potentially here. I do not dwell too much on the spiritual aspect of Slovak life. I have the feeling that we are looking for our identity in hatred, anger, or aggression against certain entities. [passage omitted]

[Vymazalova] This could, I assume, also relate to work in parliament?

[Miklosko] [passage omitted] Following the split in the Public Against Violence movement, parliament became rather unstable. A traditional coalition that wants to support the government still prevails in it, but it is no secret that the division of votes is very tight. The split in parliament and the recent establishment of certain antagonistic groups is very decisive. I think that much of what happened at recent sessions was connected with increasing fatigue; the recess came at a good time for deputies. On the other hand, although antagonistic speeches are made, there is still a natural conviviality and contacts among the deputies. This is good. This is normal in advanced democracies. What will prevail will be revealed in the very near future—antagonism or an attempt at understanding, despite differing opinions. If I maintained a year ago that I envisage cooperation among the other deputies based on correctness, trust, and expertise, I have nothing to change in my reply. [passage omitted]

[Vymazalova] What is your opinion about the need for an opposition in parliament?

[Miklosko] It is the experience of parliamentary democracies throughout the world that an opposition has its place, despite the governing coalition or the governing parties. It would be impossible to exist without it. The previous regime collapsed because it had no opposition. Every governing party, faced with the opposition's "bombardment," has to improve its decisionmaking and realize what it is doing.

[Vymazalova] From your point of view, how does the opposition in the Slovak parliament appear?

[Miklosko] Cooperation with them is not simple. It does not form a united bloc; every party and movement in it joins in parliament's work in some way. I have felt recently that some form of destruction is taking place in parliament. To be more specific, on the fourth or fifth day of the recent SNR session, the standard of the proceedings declined. I also ascribed this to fatigue. The opposition may clash with the coalition, but this has to have a certain style and certain standards. [passage omitted]

Promising Start of Large Privatization

91CH0714A Prague REPORTER in Czech
10 Jul 91 pp 8-9

[Article by Otomar Siroky: "The Ignition of Major Privatization"]

[Text] "With this act we are launching major privatization in Bohemia," declared Minister Tomas Jezek with a tired smile a few minutes after signing the first agreement by which a Czech enterprise was sold to a prominent foreign corporation. Thus, for the price of \$20 million the Rakona enterprise of Rakovnik, a maker of detergents and bubble bath in Rakovnik, was incorporated in Procter and Gamble, a giant international company whose headquarters are located in Cincinnati.

By coincidence, that event took place on the same day when Vaclav Klaus made this ambitious statement in his address at the joint session of the Czechoslovak-American Economic Council: "We intend to achieve nothing less than an economic miracle."

The Surging Waves of Privatization

Naturally, without a rapid transfer of our disorganized state property into private hands the concept of an economic miracle would remain but an irresponsible proclamation. Four months after the approval of the law on major privatization, applications for specific enterprises included in the first wave of privatization are being submitted to our governments. All plans should be completed no later than 31 October of this year. However, even before that date it should be made clear how large will be the share of Czech and Slovak industry which domestic owners will acquire in the form of coupons.

Obviously, under ideal conditions our national capital would control about 50 to 70 percent of our own enterprises. Unfortunately, nobody, not even the Ministry for the Administration of National Property and Its Privatization, can squeeze blood from a turnip. From the strategic perspective of our nations, the most encouraging endeavor in its way calls for selling state property to our citizens at below-cost prices in a unique experiment with coupon privatization. Some enterprises will also remain in the hands of our citizens because of restitution.

Nevertheless, our own resources will never enable us to extricate ourselves from our economic morass. Furthermore, we must take into account the fact that if foreign capital owns about 30 percent of the industrial potential in such an advanced and nationally coherent country as France, only a complete simpleton could expect a better achievement in our country. In the less ambitious Belgium, foreigners hold 43 percent of the value of total Belgian production.

Of course, it is very difficult to entice Western investors to come to our country. Neither Czechoslovakia's tax regulation nor political conditions can promise more than a number of southeast Asian countries which have already launched their "economic miracle." If we take, for instance, the already mentioned U.S. giant Procter & Gamble corporation, whose net sales amount to \$24 billion annually, then the description of the countries where that company has production enterprises would serve as a fairly large geographic guidebook to various continents. The list of states where it conducts its trade is longer than the roster of states represented in the United Nations. In addition to the United States and advanced Europe, we find that company's manufacturing plants and research laboratories also in the Dominican Republic, El Salvador, Indonesia, Morocco, Puerto Rico, Thailand, Jamaica, and the Philippines. Not only are the work forces in most of those countries even cheaper than in Czechoslovakia, but tax regulations there are far more attractive.

What then turned the interest of the above-named corporation to our country? Procter and Gamble, known here as the manufacturer of Old Spice men's fragrance, makes

long-range projections. It is not greatly interested in our state per se. As a market, we are negligibly small. "We regard Czechoslovakia, Hungary, and Poland as a market testing ground," says Herbert Schmitz, a vice president for East Europe of the Procter and Gamble Corporation. "Of course, we realize that we may possibly prove the quality of our products to as many as 400 million people in that area."

Ivory Snow Instead of TIX

For that very reason, after Poland and Hungary, Procter and Gamble turned their attention to us. In our neighboring countries the corporation already owns majority shares of three companies that manufacture cosmetics and diapers. The Rakona of Rakovnik seemed attractive because thus far it has held a 75-percent share of the Czechoslovak market of detergents and toiletries (for example, TIX and BIOMAT) and it employs skilled work forces. The opponents in the competition for Rakona were three German companies, the largest of them Henkel with its popular Persil. Naturally, all of them intended to invest in Rakona only if its products would not be exported out of Czechoslovakia. The Procter and Gamble corporation approached the purchase from a broad standpoint. It was willing to buy a 100-percent share of Rakona, invest in it \$24 million over the next four years, guarantee jobs to its employees and promise that they would receive its stocks as a gift from the company. Thus, each of Rakona's 870 employees, added to the 89,000 Procter and Gamble employees worldwide will be given as a token five shares valued at \$84 each.

Procter and Gamble bought the factory in Rakovnik for \$20 million and became thereby the sole owner of that enterprise which has an annual turnover of 1.5 billion korunas. By simple arithmetic and with elementary economic knowledge we can ascertain that without any additional inputs said corporation should recover its investment in about four years.

However, the Czechoslovak market is not what it used to be. TIX and BIOMAT are slowly rolling out detergents that may not be more effective but that have more attractive packaging. Moreover, detergents developed in our country are conspicuously lagging behind in terms of environmental protection. Therefore, in its projection for Rakona's future the Procter and Gamble corporation expects that not only will it retain some of Rakona's current products but understandably, it will also manufacture its own products, for example, its Ivory Snow soap or Cascade detergent.

The company's assumption, which does not differ much from the considerations of many other world-famous products, is based on the gradual opening of the Soviet Union to goods from the West. The experience in Czechoslovakia, Hungary, and Poland should enable the Procter and Gamble corporation to advance rapidly to a new market. To simplify the outlook, millions of Russians or Kazakhs should in time wear shirts washed in Liquid Cascade and the pervasive scent of Old Spice should waft from their faces above their snow-white collars.

Capital Flow Begins

Foreign investors in our country expect as a matter of fact that for their interest the Czechoslovak state will offer them certain advantages, at least in the beginning. For that reason, upon the purchase of Skoda, Volkswagen was given tax relief in our country, and Procter and Gamble received a "vacation from taxes" until 1 January 1993. That is common practice in countries that want to attract foreign investors as much as we do and that frequently offer even greater advantages. In fact, foreign capital makes it eminently possible for us to keep our foreign debt from being raised to an unbearable amount.

According to Minister Tomas Jezek, part of the \$20 million for Rakona will be deposited in the fund for social welfare and medical insurance and the rest may be used to pay the debts of other enterprises to be privatized according to the coupon method. Furthermore, the national property fund, now being organized for that purpose, will be used to subsidize companies that are facing difficulties because of decisions made by previous governments, for example, enterprises overwhelmed by problems stemming from the breakup of the CEMA market or from the war in the Persian Gulf, or enterprises which participated in governmental investments in the USSR.

It is obvious that at present we need the highest possible proceeds from partial or complete sales of promising companies to interested foreigners. For the time being we are selling them below cost because foreign capital is not particularly interested in them. The managers of U.S. and West European companies can quite clearly see that they have plenty of time. So far the rule of thumb was: the later the sale, the cheaper the price. However, at long last the situation has begun to turn. Every major company that enters our market signals its competitors: Watch out, something is going on. Nevertheless, eventually it may happen that the interest in some of our enterprises will increase so fast that it will affect their final price as well. Although this is a rather lame comparison, if two serious prospective buyers of the Skoda company in Mlada Boleslav remained in the final round, in Rakona's case there were already four such major companies that were not discouraged even by our national frictions and our still inadequate legislation. Therefore, company experts think that as concerns the price, their risk is tolerable. It is evident that the first major sale of a Czech enterprise to a prominent foreign corporation has opened the door behind which we may trace not only the future form of ownership in our country but also the validity of Klaus's statement about our economic miracle.

Torgyan Adopts Conciliatory Stance Toward MDF
91CH0724A Budapest NEPSZABADSAG in Hungarian
 12 Jul 91 pp 1, 5

[Interview with Jozsef Torgyan, Smallholders Party chairman, by V. P. on 11 July; place not given: "The Smallholders' Party Chairman Offers Peace to Jozsef Antall"—first paragraph is NEPSZABADSAG introduction]

[Text] Jozsef Torgyan granted an exclusive interview to NEPSZABADSAG the day before the Smallholders Party [FKgP] press conference, which was slated to include announcements concerning the faction.

[V. P.] Mr. Chairman, on Thursday several newspapers published a response you gave to Messrs. Horn, Hegedus, and Szentivanyi who criticized your statement relative to Hungarians in the Voivod region, that part of the statement which concerned border adjustments. Your response had a rather impulsive tone of voice. Were you angry or did you want to be humorous by using strong words?

[Torgyan] It was not a result of anger, it was the consequence of a very deliberate, circumspect consideration, even though in this instance my advisers were not in agreement with me in every respect. There were some who felt that my response was a bit too strong. On the other hand, I used as my starting point the fact that the statements of these politicians were so offensive that I regarded a somewhat heavy handed humor permissible. I regard as very dangerous a situation in which certain politicians find it permissible to distort my words and make me, the chairman of the party with the largest membership, appear to international public opinion as one who demands the adjustment of borders.

[V. P.] In other words, is this not what you demanded?

[Torgyan] That's out of question.

[V. P.] What kind of relationship will there be between the faction leadership and the party chairman?

[Torgyan] One should regard the faction as the party's extended sword.... From the standpoint of the party the faction must represent the party as far as the principle and practice of essential issues are concerned, and on no occasion could representatives vote in a manner different from the position taken by the party's presidium or its national leadership.... I requested the faction leader to arrange preferably a two day meeting after the summer recess to clarify every issue that is of essence to us. Since the mandate of the faction leadership has expired, we could use this occasion to elect a new leadership. The party leadership would only make recommendations in this regard, but the new leadership would be elected by the faction.

[V. P.] Is there a party rift, Mr. Chairman?

[Torgyan] Many people expected to see a rift in the Smallholders faction. The public at large may learn at our press conference that the opposite is taking place, and I promise that both the faction and the party will grow.

[V. P.] How?

[Torgyan] I am unable to say more on this issue as of now.

[V. P.] What kind of change will there be in the coalition as a result of the fact that Jozsef Torgyan is heading the party?

[Torgyan] The coalition will become much more transparent to everyone, and its policies will become more stable. A weak Smallholders Party which pursued its political action on an ad hoc basis also rendered the coalition as unfathomable. We also want to develop a party apparatus that responds to the demands of the third millennium. Thus, I believe, the Smallholders Party will provide some pleasant surprises insofar as cooperation within the coalition is concerned. I cannot conceal the fact that cooperation has thus far remained below the desirable level. There were no regular negotiations in which the Smallholders Party could have imparted its views concerning the politics of the future, commensurate to the weight [these issues have]. The Smallholders Party was left out entirely from the economic field, and the same applies to foreign trade, foreign policy and the world of banking. Coalition activities were exhausted essentially in the framework of much debated activities of certain ministers and political state secretaries.

[V. P.] You mentioned ministers and political state secretaries. Could the party leadership recall someone?

[Torgyan] It is well known that as a result of the pact between the Alliance of Free Democrats [SZDSZ] and the Hungarian Democratic Forum [MDF] the responsibility held by ministers was exchanged for responsibility held by the prime minister. In other words the prime minister has the right to select and to recall. We have no reason whatsoever to presume that the prime minister would not perform this function with utmost circumspection. It is yet another issue whether we regard this matter as sufficiently broad to permit the Smallholders Party to demonstrate its real strength in the framework of cooperation within the coalition. The extent to which we intend to broaden our participation in coalition work will be revealed as a result of the coalition negotiations.

[V. P.] You, Mr. Chairman, defined the place of the Smallholders Party within the political spectrum. One hears expressions of fear about a Smallholders Party lead by Torgyan, as a possible right-wing populist force....

[Torgyan] Let me quote our theses: "The FKgP rests on a Christian system of values, and is a conservative, middle class party which beholds national traditions." This statement does not include a right-wing character. A given place in the political spectrum always results from a historical situation—therefore we did not use the place in the political spectrum as our starting point when we drafted our theses. On the other hand it is beyond dispute that in today's political life the left side is occupied, we find the Hungarian Socialist Party [MSZP] and to a certain extent, the Alliance of Free Democrats [SZDSZ] there; the MDF is in the center according to the prime minister, but I believe that Imre Pozsgay also tried to define himself that way. In other words, the center is also occupied. Vacancies exist

only on the right side. But under no circumstance should this be identical to the extreme right, we set ourselves apart from the extreme right in the strongest of terms. If I were to compare our right-wing character to something it would be the right wing represented by Mrs. Thatcher, or the trend characterized by the names of Bush or Kohl. Or, even if this may appear as a surprise to you, the right wing represented by the socialist Mitterand is closer to me than the Le Pen trend from which we set ourselves apart, even though I have been compared several times to Le Pen....

[V. P.] What do you have to say about the indemnification law?

[Torgyan] It is rather far from the concept proclaimed in the FKgP program. But this law has been adopted by the parliament and proclaimed by the president.... Its implementing decree will be complete within a few days. One cannot disregard historical realities. I personally very much regret that the FKgP perceptions could not be enforced in their totality. It feels as if my heart had been torn out of my body. But I recognize this law, and the party is working on expressing our views in due regard to the people's interests. We do not impede, but support the implementation of the law.

[V. P.] Considering the well known antecedents, how will you cooperate with Mr. Antall?

[Torgyan] Under no circumstance do differences in opinion in any respect render our relationship more difficult. Let me begin by saying that personal sentiments and passions have no place in politics, one must judge on the basis of realities. In this regard, a high degree of preparedness exists both in Prime Minister Antall and in myself.

Torgyan's Statement on Yugoslavia Causes Furor
91CH0724B Budapest MAGYAR HIRLAP
in Hungarian 10 Jul 91 p 3

[Article by "K. M.-U. K.": "Horn: It Lacks Seriousness Even as a Pamphlet; Torgyan's Statement on Adjusting the Border"]

[Text] We report the views of opposition representatives together with Jozsef Torgyan's statement. We also asked Jozsef Torgyan whether we understood correctly that he indeed demanded an adjustment of the border.

"For many long weeks now, as a result of foreign mediation, more peaceful reports and renewed dramatic news can be heard from Yugoslavia, the land of our Southern neighbor. Armaments are roaring in the immediate vicinity of our borders, the lives of innocent people are extinguished, their property is annihilated in a matter of seconds. Our public is gravely concerned about the fate of nearly 600,000 Hungarians residing in the Voivod region, Slovenia, and Croatia, and we know that our brothers there expect us to provide a clear statement and to raise the hope of justice. For this reason, we must not remain silent.

"Supporting the endeavors of Slovenes and Croats to establish independent national states is self-evident, and the party condemns any effort to prevent the realization of this endeavor by using military force. At the same time we

express our conviction that the events that take place in Yugoslavia also contain some deeper historical lessons.

"The hopefully final end to being threatened from the outside, the development of new, cooperative conditions among countries raises questions about the supremacy of the so-called 'order of peace' that has been forced upon nations in the aftermath of World War I, and which have been changed to even more stringent conditions after World War II. (...) Together with this, we believe that in the event that Slovenia and Croatia become independent, the international conference which implements a historic adjustment of this kind should also deal with the situation of Hungarians in the Voivod region. These Hungarians never left their country, others placed them outside of our borders. Therefore, others must also administer justice.

"The Independent Smallholders Party does not intend to interfere in the internal affairs of any country. [Signed:] Dr. Jozsef Torgyan"

Jozsef Torgyan's statement concerning the Yugoslav crisis evoked strong aversion on part of opposition politicians.

Gyula Horn, (Hungarian Socialist Party—MSZP), chairman of the foreign affairs committee:

"I am baffled by Jozsef Torgyan's statement which lacks seriousness even as a pamphlet."

Istvan Hegedus, (Association of Young Democrats—FIDESZ):

"When we first heard that Jozsef Torgyan was making a statement on adjusting the border we thought that he wanted to change the 35-year age limit at FIDESZ, which we reject of course, because we would regard this as interference with the internal affairs of the party.

"Unfortunately, Jozsef Torgyan's outlook on history was not molded by 20th Century wars and incomprehensible border disputes. It reflects an irrational, propagandistic perception in the absence of sober restraint, and this is what he injected into public consciousness. Quite obviously he wanted to outbid the unfortunate statement made by the prime minister. On the other hand, the reality of the matter is—and beyond the experience gained from World War II reality also points in this direction—that regardless of how the internal situation of Yugoslavia changes, irrespective of whether old or new independent countries come about, Hungarians will remain in the minority, and a representative of a Hungarian ruling party should deal with the cause and problem of Hungarians beyond our borders exclusively on the basis of human and minority rights."

Istvan Szent-Ivanyi, (Alliance of Free Democrats—SZDSZ):

"At its meeting last Saturday the national council of the SZDSZ debated the Yugoslav situation at length. Several persons suggested that we call attention to the necessity that the Hungarian Government clearly state that it does not intend to take advantage of the present Yugoslav crisis by acquiring territorial advantages. At that time a majority of the participants at the council session felt that it would

be premature to make such an announcement, because such intentions were not uttered within competent political circles. Unfortunately, the situation has taken a definite turn since the meeting. At first, Jozsef Antall's ambiguous statement, and now Jozsef Torgyan's unequivocal statement, which goes beyond Antall's statement, demands that we state any reference to historical adjustments is very dangerous from the standpoint of Hungarian foreign policy. Such statements raise questions about the necessity of earlier government statements and about the international credibility of the government, and places Hungarians residing in the Voivod region into a particularly difficult situation. It renders these Hungarians as targets of nationalist attacks which are so strong in Serbia. The cabinet avoids reacting to this statement. Jozsef Antall should make clear his view about Jozsef Torgyan's statement, he should state whether he agrees with it or if he rejects that statement, the way the sober mind would dictate. We are waiting to hear the government's position."

FKgP Chairman Jozsef Torgyan said about his statement concerning Yugoslavia that he did not want to make as much as a reference to some kind of intent to revise the borders, and that his statement could not be misunderstood—nor could Prime Minister Jozsef Antall's statement. At best, his statement could have been intentionally misinterpreted.

Torgyan said that an international conference should be convened—as soon as possible because of the gravity of the situation—to clarify the order of the region that has been upset. This forum could implement corrections which ensure peace in that region.

MDF Leader Stresses Unity of Party's Factions

91CH0721A Budapest *BESZELO* in Hungarian
6 Jul 91 pp 10-11

[Interview with Dr. Istvan Balas, Hungarian Democratic Forum faction secretary, by Gabor Ivanyi; place and date not given: "In Reality There Is No Conflict"—first paragraph is *BESZELO* introduction]

[Text] Dr. Istvan Balas was the MDF [Hungarian Democratic Forum] "rebels" nominee for the faction leader post. He initiated an investigation against MDF parliamentary delegation office chief Andras Salamin because Balas had information that Salamin sold a computerized documentation program to the faction with a surcharge to which he was not entitled. The opposition regards the former Miskolc lawyer as a moderate, practical politicians.

[Ivanyi] In the beginning it seemed as if the MDF river was fed by two streams, a Christian democratic and a populist-national source. Thereafter, it seemed as if the river had split into three: a liberal trickling, a Christian democratic brook, and a populist-national river. The latest conference held in Godollo created an impression that the latter was the strongest branch.

[Balas] When I became active in the MDF during the fall of 1988 a liberal branch existed the same way as it does today. It represented a national or Christian variety of liberalism, of course. But none of these branches strove for exclusivity

because fundamentally the MDF team endeavored to achieve a compromise. Consciousness of being Hungarian is definitive from the standpoint of every MDF member, and so are the love of the country in the good sense of that term, and an unconditional love of the Hungarian people both within and outside our borders. This is the stream which unites all the rest. I would think that one could not draw sharp dividing lines to distinguish between the conduct of various free democrats either, between advocates of liberal ideals or perhaps the advocates of social democratic ideals, because the outward manifestation of the Alliance of Free Democrats is not in the form of these ideals, but is that of the opposition. The various trends cannot be distinguished by drawing sharp lines in terms of MDF manifestations either. The role played is of primary importance, and I believe that those who support the ruling party and the opposition mutually educated each other. Faction discipline evolved on both sides as a result of sociological impacts. We got into the parliament and discovered that we did not even know where we were seated, yet the opposition was already shooting at us. This produced a spontaneous unity which was hardened by opposition attacks, and supposedly, the effects of our united reactions reverted to the opposition.

[Ivanyi] Faction discipline firmed up within the MDF as a result of opposition operations. But isn't this unity and firmness threatened from the inside by something? At the Godollo MDF conference I just mentioned it seemed that Jozsef Antall appeared in more pronounced populist-national colors, while the Christian democratic orientation was voiced more by Laszlo Salamon. Are we witnessing a change, or is our prime minister the musician who possesses equal talents to play all instruments?

[Balas] Jozsef Antall is a clever coordinator. As the people would say, he plays his cards well. This means that whenever he makes a statement he is conscious of what he says. Giving voice to the populist trend was appropriate in Godollo. Antall's views on liberalism are not identical to the liberal outlook professed in today's opposition parties. The MDF shares the view of the party chairman and the party chairman shares the views of the MDF. In the MDF's view the liberalism professed by today's opposition parties is inappropriate from the standpoint of Hungarian traditions in Europe. Opposition proposals very often demonstrate that nothing is too expensive for kibitzers. This can be seen even in the course of committee work where nuts and bolts are taken care of. There could be anarchy as far as the opposition is concerned, they know very well that the ruling coalition could not agree to everything because we are the ones who must respond to the country's ability to tolerate things.

[Ivanyi] Could you give us an example?

[Balas] I have in mind here the way we should settle financial issues between the state and autonomous local government, the ratio in which the state and local governments should share assets. The SZDSZ [Alliance of Free Democrats] and Association of Young Democrats proposals which would give everything to local governments is typical. At the same time, the cabinet and the ruling parties

must keep in mind that they are responsible for Hungary as a whole. In this sense then, everything cannot be just given away, even if we would like to do so. The cabinet cannot be charitable when it comes to property because this would draw great consequences.

[Ivanyi] Could we perceive a perfectly well supplied, functioning and wealthy network of autonomous local governments on the one hand, and a totally bankrupt state on the other?

[Balas] A situation like this—the way our described it—would be inconceivable, but you were correct in raising this question. But at least a year is needed to prepare the package of legal provisions which provides personal and material conditions necessary for the functioning of autonomous local governments. And further, the state cannot wait until local governments gain strength three or four years hence, the state cannot wait because it could collapse in the meantime. In this regard the maintenance of a continuous ability to function warranted at a given time the concentration of income in the hands of the state. The gradual dismantling of this concentration may be justified depending on the state's economic situation.

[Ivanyi] Do you think that the cabinet's position would have been the same had the ruling parties decisively won the local elections?

[Balas] That is self-evident. Determining the winner of the local elections is a complex issue, it is much easier to determine who lost those elections. All the parties seated in the parliament did. Taken together, the parties seated in the parliament occupy only a very small percentage of local government leadership posts, the party ratio within that small percentage is of secondary significance. Cabinet decisions strike local governments headed by MDF or the SZDSZ equally, the situation is the same in the Godollo or Mezokovesd local governments where the MDF is in the majority, or in the capital.

[Ivanyi] Istvan Csurka, the chief spokesman for the populist-national trend made a rather tactless public announcement to the effect that Lajos Fur was the MDF's most popular politician. Journalists devoured this statement.

[Balas] Istvan Csurka very much likes to express his thoughts in writing. He reads his parliamentary remarks. His thoughts are not as neat, they are not perfected so well the moment he begins to make an extemporaneous speech. I would like to stress that I like Istvan Csurka very much. Sometimes I regard him as a giant, and I admire the role he agreed to play. Even if I do not agree with him on every detail.

[Ivanyi] Could we then say that Csurka is an undaunted supporter of the prime minister?

[Balas] Of course, the prime minister could not have been offended by these remarks even for a moment, he knows Istvan Csurka much better than many of us. The prime minister is not the kind of person who can be offended.

[Ivanyi] Are the Csapody, Ilkei or Balas affairs simple domestic quarrels of a family character?

[Balas] Particularly in recent times I have been criticized a lot for as much as expressing myself in the press. For this reason, at this time (and please underscore the words "at this time") BESZELO should forgive me for not answering this question. According to the latest faction resolution, no representative is authorized to make public statements regarding these issues.

[Ivanyi] Does the report, according to which several representatives consider joining the independent faction, also fall under the list of prohibited items?

[Balas] I can say this much in this regard, the report can neither be confirmed nor denied, nor ruled out, but at the same time I cannot find foundations for this report either. It would be irresponsible to make statements as to whether such persons exist at all, or to make predictions whether such persons would maintain such an intent in a crisis situation like for example the one that arose in conjunction with the Smallholders affair.

[Ivanyi] Where do we stand with the case involving the "Team of 49" which is known as the "Team of 52"?

[Balas] Your observation is correct, because we are not talking about an existing team called either the "Team of 49" or the "Team of 52." All we are dealing with is a group which wanted to examine the functioning of the faction under a magnifying glass. It also comes as natural that under given circumstances there could have been personal consequences. In the final analysis, the number of people who signed the petition is incidental. I never saw that petition. Forty-nine people signed the petition because thereafter they simply stopped gathering signatures—even a hundred people could have done so.

[Ivanyi] Accordingly, the problem which they intended to resolve by joining together has been resolved.

[Balas] Daily press reports had it that the problem was narrowed down to a set of personal issues.

[Ivanyi] And did those personal issues involve the question of whether Imre Konya could continue as faction leader?

[Balas] Imre Konya felt it necessary to phrase the question this way, but in reality the election of a new leadership or the strengthening of the old leadership by adding new members was at stake.

[Ivanyi] Would it be possible to surmise the consequences of the change in the Smallholders Party? If I understand this matter correctly, Jozsef Antall would find it conceivable to conduct dialogue with Jozsef Torgyan in the interest of joint governance. But it seems as if the MDF faction was unable to follow its prime minister in this regard.

[Balas] Sooner or later these quack politicians will have to realize that spoken words must be interpreted in a manner different from the way an answer given in school would be interpreted. Very many things are possible in politics. For this reason, I would not rule out the possibility that the idea has occurred to the pragmatist politician Jozsef Antall: he would recognize the kind of composition chosen

by the electorate for the Smallholders Party which is to work along with him as a partner in the coalition.

But if a significant part of the Smallholders faction is opposed to Torgyan, and if this opposition cannot be reconciled with the present legitimate leadership of the Smallholders Party, a rift in the party or in the faction is bound to arise. However, at that point however a new situation will have arisen, and the head of the cabinet will have to seek other ways.

[Ivanyi] If I understand this matter correctly, Jozsef Antall has embarked on a certain peace mission to reconcile the two wings of the Smallholders Party.

[Balas] I would say that Jozsef Antall is a clever pragmatist who weighs which path has a better chance of survival, and which path provides greater stability in the present situation of the country.

[Ivanyi] It would appear to analysts that the election of Torgyan conjured up the threat of a shift toward the extreme right. Would there be a threat that pragmatic cooperation with Torgyan would also sway the MDF in the direction of the right, more than that would be necessary?

[Balas] This is absurd, an idea like this cannot have any foundation, if for no other reason because of the ratio among the factions. The MDF cannot transgress certain boundaries.

[Ivanyi] There were certain manifestations which appeared to have a right wing character and which the MDF was not willing to reject. There were Ilkei, Csapody and Balas cases, but there was no Bogdan case because the party's ethics committee did not attribute sufficient weight to the matter. The prime minister has often been blamed for failing to make unequivocal statements regarding extremes.

[Balas] No case should be seen as having greater significance than what it deserves to have. Whenever these cases are discussed in public they tend to outgrow their own significance. Relative to the Bogdan affair some opinions held that we had to distance ourselves from this kind of outlook, at the same time, however, this case appeared to come to a conclusion which suggests that no excessive weight should be attributed to this writing either.

[Ivanyi] If that is the case, then I must come to believe that the other three cases in which the ethics committee was prepared to take a position were far more extremist.

[Balas] To this date, the ethics committee has not taken a position with respect to any of these cases. By the time your newspaper appears on the news stands it will be no secret—because by now every bit of information is leaked—that the ethics committee found that no proceedings against Miklos Csapody were warranted.

[Ivanyi] We started out by saying that various trends may be seen within the MDF, but you said that there was nothing wrong with the joint direction. Does this mean that there has been no need for a course correction ever since Lakitelek?

[Balas] I realize that the sighs of people have caught up with all parties seated in parliament, and we are no exception either. And yet the situation of the parties which comprise the ruling coalition is more difficult, because although I do not know of any change in the original goals of the MDF, at least three problems occur at the level of daily politics: First, the cabinet does not belong to the MDF. It is a coalition cabinet which presumes continuous reconciliation involving compromise. Second, the economic situation of the country establishes certain objective barriers in the path of realizing these goals. In vain would the MDF like to govern more freely at a time when the cabinet's total discretionary sphere amounts to 7 billion forints, it would be impossible to do so. And unquestionably, the third problem is that as compared to longtime democratic states where each of the alternating trends have experience in governance, no such experience exists in Hungary either in the ruling coalition or in the opposition parties. For this reason, it comes as natural that we witnessed countless clumsy actions. In the initial period the MDF's functioning was greatly impeded by having typewriters and typists which functioned at the level of African Pygmies. It was impossible to demand anything from the ruling parties or from the opposition until we overcame these problems.

[Ivanyi] Could we say that voters who helped the MDF to achieve its victory are satisfied with the results produced by their party?

[Balas] Those who were aware of the difficulties faced by the country were not disappointed. They understand that it would be unrealistic to make any serious promises before the end of the year. But they accept the general difficulties they are struck by. Any other government—regardless of whether Janos Kis or Gyula Thurmer would have headed such government—could not have produced any other results which would have created an impact on the masses, than what the Antall cabinet produced.

[Ivanyi] Has the idea of involving parties outside of the parliament in governance occurred to the MDF?

[Balas] The MDF is open to engage in dialogue with anyone, but a parliament is democratic only if decisions are made in the parliament.

[Ivanyi] I asked this question because a moment ago you mentioned Gyula Thurmer!

[Balas] No, that's out of question, but Gyula Thurmer was the one to urge special elections prior to the expiration of the present mandate, asserting that his party had great experience in governance. I wanted to say that if Lucifer himself or Archangel Michael took the helm of government....

[Ivanyi] But that would make a difference!

[Balas] Indeed, that would not be indifferent, but in the existing situation it would make no difference, and at this time one has a choice as to who is who from among the above mentioned persons—even then things would not go differently [as published].

[Ivanyi] People are rather irritated by the III/III case. Several leaders of the Smallholders Party declared that they were not willing to breathe the same air with persons who appeared on that list. On the other hand, Jozsef Antall is prepared to breathe the same air with the persons referred to by the Smallholders.

[Balas] My thinking underwent an evolutionary process regarding the III/III case. I was skeptical at the time Peter Hack and his associates introduced their original proposal. I had some doubts at the time about the source of the knowledge of those who made this proposal as to whether any credence should be given to this list at all. And these doubts arose in me because of the timing of the proposal. They arose, because lacking a better source, only those persons could be certain about this matter who possessed government information. A new situation arose when our own cabinet introduced the proposal, but this proposal pertained to an entirely different group of people. By now one may well recognize that this issue constitutes a time bomb, or at the minimum it amounts to poison. This issue must be closed, one way or another.

SZDSZ Leader Magyar on Social Liberalism

91CH0722B Budapest VILAG in Hungarian
10 Jul 91 pp 20-21

[Interview with Balint Magyar, Alliance of Free Democrats leader, by Judit Gabor; place and date not given: "Balint Magyar on the East-Central European Social Liberal Forum; Columbus's Ship"—first paragraph is VILAG introduction]

[Text] For many long years the democratic opposition in East Europe strove to establish conditions for political cooperation, in addition to solidarity manifested vis-a-vis oppression by the party state. Social liberal politicians of Czechoslovakia, Poland and Hungary who as members of their respective countries' democratic opposition have cooperated before, now established their regional organization called Social Liberal Forum. The purpose of the organization is to enable them to exchange information and views regularly, and to coordinate actions based on common political views and strategies against threats. Balint Magyar was one of those who represented the SZDSZ [Alliance of Free Democrats].

[Magyar] The idea of establishing a forum of a social liberal character emerged a year ago within the SZDSZ. We wondered whether this should be organized as a forum for persons involved in politics, or if it should be established from the outset as the "club" of political parties. We felt that the integration of a region with Europe should not be the exclusive internal affairs of the individual countries, and that the coordination of our interests should not necessarily take place at the governmental level only. The political parties of Central-East Europe would have to try to establish relations commensurate with their respective order of values, and to seek political partners with whom they could cooperate in the long term. The Social Liberal Forum may perform this function.

[Gabor] Why couldn't you establish this organization as a forum for political parties in the first step?

[Magyar] Hungary was the only country in which free elections were preceded by the development and relative consolidation of a political party structure. Although the popular support of various political parties has significantly changed during the past year or year and a half, we could hardly count on the emergence of new parties. I do not believe that a social democratic party could take roots in Hungary. The parties would like to smuggle in the social democratic tradition from several directions. The Hungarian Socialist Party is trying to shift in that direction, but the SZDSZ also holds some fundamentally definitive liberal values. If liberal parties in West Europe support the right of employees to freely organize, they also support in principle the strengthening of free trade unions, and recognize to an extent worker participation in the management of enterprises. Liberal parties need not fight for these matters, because they are able to act on the basis of an institutional system which ensures the existence of these opportunities. The situation is different in East Europe. The SZDSZ and the Association of Young Democrats are the two organizations which, during the past two years, always stood up most firmly on the side of independent trade unions. There are an awful lot of SZDSZ leaders among the founders of the Democratic Trade Union of Scientific Workers.

On the other hand, a mere adjective and a declared order of values does not suffice for the emergence of parties. Some authentic persons are needed before a party can be presented to the public, and social democratic movements which vegetated in Hungary were unable to present such authentic persons. Nor do I have confidence in the strengthening of a centrist party like the one proclaimed by Imre Pozsgay. I do not believe that there is a gap in the political spectrum which this party could penetrate and then survive. The party structure is relatively stable in Hungary, even if its internal dimensions and proportions of popular support change.

The situation was and continues to be different in Czechoslovakia and Poland. In Poland semi-free elections, and in Czechoslovakia free elections preceded the evolution of the party structure. We may presume that after the fall elections in Poland and next year's elections in Czechoslovakia the proper place of the presently pliable political formations in the political spectrum will be established. By then a Central-East European negotiating forum is likely to evolve, one that attracts political parties and not persons.

[Gabor] If this is the case, why did you establish the Social Liberal Forum at this time?

[Magyar] A number of issues must be resolved which cannot be postponed until after the elections. We must find a common denominator regarding two very important issues. One is the social structure of Central-East European countries, and the integration of these countries with Europe. Not too long ago, in one of his presentations Miklos Szabo compared the former socialist countries of East Europe with the Santa Maria, the ship Columbus sailed. We know which shore we left behind, but we do not know the world to which our ship will sail. This comparison is at least as good as the one I heard not too long ago

at a conference in Washington. The topic of discussion pertained to the situation of nationalities and minorities in East Europe. One of the participants characterized the East European countries as *democratorships*, somewhere halfway between a dictatorship and a democracy. This is a fitting characterization, even if it applies perhaps to the least extent to Hungary, although it is true that even in Hungary the system change has not been completed in the institutional structure as a whole. In other places development of the institutions of a parliamentary democracy have barely begun. This means that a serious threat of a traditional ideology which reflects the past, of the establishment of a social organization reminiscent of the era between the two world wars exists in East-Central Europe. Although the collapse of the totalitarian system and the process of transition to a pluralistic society is irreversible, we clearly recognize the dangers that threaten the newly established democracies in the region in the form of extreme nationalism, social demagoguery or a new type of intolerance. These dangers threaten not only us, Hungarians. We have common tasks to perform because the political spectrum which evolved in these countries have not been automatically derived from the West European political spectrum. In West Europe the extreme right wings of the parties seated in the parliament could be regarded as conservative and right wing to a lesser extent than some parties in Hungary. I would include here certain segments of the Smallholders Party or of the Hungarian Democratic Forum. The West European social organization involves certain facts which cannot be questioned by right wing parties seated in parliament, e.g. the separation of church and state. In West Europe, functions to be performed under public law cannot be assigned to churches by establishing a claim for the churches having played some historical role, and then diverting the function of molding society to the churches. But the monopolizing and concentration of the mass media under governmental direction, and centralizing efforts with respect to local governmental bodies would also be inconceivable beyond the Lajta River. The Hungarian and East-Central European right wing exceeds the limits the West European parties seated in parliament observe. Despite this fact, the West European conservative parties regard the MDF and the Christian Democratic People's Party in Hungary as their natural partners, and similar parties in Czechoslovakia and Poland as forces which are appropriate from their points of view.

The situation is different with respect to forces that are to the left of their way of thinking. The historically evolved duality of liberal and social democratic parties may be seen everywhere in West Europe. In Hungary these forces exist from a practical standpoint in one or two parties whose values are similar and whose ideologies are very close to each other: the SZDSZ and FIDESZ [Association of Democratic Youth]. This made the development of our West European relations rather difficult. In part our good relations with liberal parties was apparent, at the same time,

however, the Western social democratic and socialist parties developed an identity crisis relative to their European relations. They tried to develop relations with the reform wing of the communist party, with the MSZP [Hungarian Socialist Party]. This endeavor is becoming the subject of increasingly vehement criticism on part of their own voter constituency. In another respects, these parties supported the practically nonexistent social democratic party merely because of an identical name. The time has come for liberal and social democratic parties in West Europe to awaken to the fact that only the SZDSZ and FIDESZ can be their natural allies within the Hungarian political spectrum. The Social Liberal Forum serves this practical purpose. We want to establish an interparty cooperation in Central-East Europe which enables the establishment and development of relations in both directions.

[Gabor] What specific agreement has been reached at the meeting?

[Magyar] We approved two statements. One is related to the upcoming London summit of the seven most developed countries. We welcomed the fact that President Gorbachev was also invited to discuss the methods and conditions of Western support. At the same time we must not forget that the crisis within the Soviet Union is only one part of the disintegration of the Soviet Union. The Central and East European democracies struggle with a serious economic crisis which may threaten the security of the region and of Europe as a whole. One should not forget about the former colonies of the Soviet Empire and should not resolve the problems of the Soviet Union separately. We called upon the seven most developed countries to provide an opportunity also to our countries so that their voices may be heard at this rather important meeting. The other statement pertains to the withdrawal of Soviet troops. We regard as unacceptable the presence of foreign military forces within the territory of any country without the consent of such countries' democratically elected parliaments. We are pleased by the fact that the Soviet Army has withdrawn its troops from the territory of Hungary and Czechoslovakia. This must be followed by the immediate withdrawal of Soviet troops from Poland. This is in the common interest of all Central-East European countries.

[Gabor] What are your plans for the near future?

[Magyar] We would like to establish a Social Liberal Information Office in Budapest, even though we would hold our meetings in various countries. In part, we would like to make direct political statements and react quickly to current issues affecting political forces. In part, we would hold conferences on specific topics. Such topics could include the management of nationality issues, legislation pertaining to nationalities and minorities—in this regard it would be worthwhile to streamline the kind of techniques we would like to see in the framework of legislation; the issue concerning our relationship with the European Community; the establishment of an independent, nonpartisan media. We plan to hold our first meeting in September or October.

SZDSZ-MSZP Cooperation Prospects Probed

91CH0723A Budapest BESZELO in Hungarian
6 Jul 91 pp 34-35

[Unattributed article: "The Hungarian Socialist Party and the Free Democrats"]

[Text] Few issues are as touchy to the members and organization of the Alliance of Free Democrats [SZDSZ] than their relationship with the Hungarian Socialist Party [MSZP]. Ever since it became apparent on second round election night that both the SZDSZ and the MSZP would become the opposition to the ruling coalition lead by the Hungarian Democratic Forum [MDF], the SZDSZ has consistently endeavored to distance itself from political cooperation, even though there were some spectacular examples in which the three opposition parties took joint positions. Still, a majority of the organizations feels very strange about the successor to the former chief opponent, the MSZP. Ivan Vitanyi's article (BESZELO 15 June 1991)—and let's add here, not so much the article but the political situation that evolved—forces the Free Democrats to seriously face the issue concerning a relationship to be established with the MSZP.

This matter has a primary context which flows from partisan political and parliamentary arithmetic. Considering the present Hungarian political map, the SZDSZ needs allies unless it intends to remain in the opposition forever like the former Hungarian social democracy did. For one of the present ruling coalition parties to establish an alliance with the SZDSZ against the MDF has little chance. The coalition parties are linked by a common ideology, and have been welded together in more than a year of jointly fought political battles against the present opposition. The Association of Young Democrats [FIDESZ] is not inclined to regard the SZDSZ as an ally, it is less and less willing to cooperate even on an ad hoc basis. Unless the SZDSZ found opportunities for political cooperation other than joining a possible grand coalition with the MDF or a certain small coalition with FIDESZ, the SZDSZ would increasingly become dependent on FIDESZ and the MDF. This partisan political, parliamentary consideration alone prompts us to raise this question: What kind of relationship should we have with the MSZP?

The second context to be considered is this: The SZDSZ and the MSZP are not only contemporaneous parties in opposition to the ruling coalition, they also criticize the ruling coalition frequently from substantially similar vantage points. Relative to the local government law one could have assumed that the MSZP joined ranks with the SZDSZ only because of its place in the opposition. When Laszlo Bekesi [former finance ministers, MSZP representative] highhandedly swept the cabinet off course during budget debate one could have felt that expertise and experience alone brought the three opposition parties together. But there was much more at issue regarding indemnification and the return of church property. The apparent identical views had their source neither in the tactical commonality of interests, nor in the fact that these parties were all in the opposition. What then was the source of the identical views?

At first glance one could say that the ruling coalition parties want to see an autocratic Hungary oriented toward Christian and national values, that these parties want to build a second edition of the Hungary that existed between the two wars, while the opposition parties are against that. Vitanyi spoke about a different kind of Hungary in his article; a middle class Hungary—and he was correct. On the other hand, those who prepare the programs for the ruling parties also talk about middle class development, and about a Hungary of the middle class.

Two Different Views on Society

Quoting the poet Kolcsey, "freedom and property" was proclaimed by Jozsef Antall's posters pasted on lamp posts during last spring's election campaign. "We will create owners out of employees," the MDF's empty promise proclaimed. And in the course of the preprivatization, and later the indemnification laws, representatives of the ruling coalition parties competed with each other in explaining how a new propertied middle class would be established, and (insofar as the Smallholders were concerned) the way they regarded the recreation of the former propertied class as their main objective.

Politicians of the ruling coalition make no secret of the fact that they regard the evolution of the new propertied class as the most important element of the system changes, they expect stability in the new Hungary as a result of the new propertied class. As can be seen from the endeavors of the ruling parties, by virtue of its situation, the way it came about and its circumstances, this would be a middle class dependent on the state, one that could thank for its property to the coalition, and not a truly free, independent citizenry. This, however, is only one of the problems that attends this concepts, and the smaller problem at that.

The other larger problem is that this middle class society rests on the foundation of anachronistic perceptions. A middle class society composed of only small property owners—as the former slogan of the MDF suggests—never existed of course. But a middle class society, which regarded only the propertied citizenry as its social base, independent businessmen, capitalist entrepreneurs employing a smaller or larger number of wage earners, has existed indeed. In that society masses of wage earners remained dispossessed both in an economic and a political sense. This was the capitalism of the previous century, and East Europe's capitalism between the two world wars was not much different from that.

On the other hand, the West European capitalism of the 20th century has fundamentally changed by now. Not that it ceased to be capitalism, and not that differences in society have ceased to exist. Aside from all that, however, the standard of living enjoyed by masses of wage earners, the increased strength of trade unions, and a broadly based social security system have created a fundamentally new situation. While the propertied citizenry constitutes a continuously decreasing part of society, because the number of peasants, as well as the number of independent persons active in commerce, small trade and services has shrunk to a fraction of its former number, a large part of the nonpropertied, employed millions was able to secure for itself a middle class standard of living and more or less middle class situations in life. As far as their living conditions are concerned, the successors to the former

proletarians turn into emancipated members of society without having to own property.

As exemplified by the SZDSZ' representation of the fighting social welfare spirit inherited from the past Fund to Support the Poor [SZETA], by our consistent emphasis on the significance of trade unions, or, regarding the land issue, by our stance which favored the interests of producer cooperative members who did not own land previously, we find in the background of peculiar elements of policies advocated by the free democrats an evolving view of society that has differed from the outset from the image of society perceived by the ruling coalition. The SZDSZ view of society has been consistent with modern Western development. When free democrats talked about a modern market economy and about a middle class society as goals to be achieved, they perceived these matters as entrepreneurial freedom and an opportunity to expand, and as far as nonpropertied employees were concerned, as an economy and society which held out the promise of security and decent general welfare. This is one reason why the free democrats wrote on their banner the dual watchword of freedom and solidarity.

These two views of middle class society also suggest different perceptions concerning the integrating force of society. In the framework of 19th century capitalism, and in East Europe's capitalism between the two world wars, society split in two parts from the standpoint of social welfare, and the concept of national cohesion and religion played a central role in holding society together. In contrast, during the past decades in West Europe social cohesion came about as a joint result of economic freedom and social solidarity, through the emancipation of masses of people who underwent middle class development, while the significance of the integrating role of both the nation and religion declined. In the Western half of Europe they are talking about the end of the nation state, and the secularization of public life progresses in great strides: religion has become a private affair.

In contrast, consistent with the idea reminiscent of the 1920's and 1930's, the Hungarian ruling parties regard the propertied middle class as the foundation of society, and the integrating role of the nation state and of religion remains indispensable. This is why the national motif, the anachronistic emphasis on national symbols and the treatment of churches as creatures of public law and the inclusion of religion as an organic part of public life are in the forefront of their policies.

Could We Be Social Democrats?

But is it possible that the SZDSZ is not a liberal, but a social democratic party because it places in the center of its view of society the emancipation of the nonpropertied employed millions? A liberal party should represent the interests and values of property owners and of entrepreneurs, after all! Could it be that the MDF, which represents the evolving propertied middle class is the real liberal party in Hungary?

No, that's not what we are talking about. The above described characteristic of Western development essentially serves as the basis of the consensus, which provides a common denominator for Christian, liberal, and social democrats in West Europe. Although the middle class emancipation of wage earners was originally the "dowry" contributed by the workers movement, trade unions and social democracy (Bismarck, who first promulgated social welfare laws did so under pressure from the workers movement), all three political trends espoused it as their own. Compared to this the Western rotation system represents only a cyclical shift in economic and social policies in favor of boosting and honoring entrepreneurial risk taking, alternatively of guaranteeing social security.

On the other hand, the one who proclaims only freedom and property in his campaign, and what's more important: the one who proceeds correspondingly in legislation and in daily politics turns his back not only to social democratic thought, but also to the modern West European consensus which in the so oft mentioned Germany is usually characterized as a social market economy.

It should be apparent that the above described view of a middle class society is not only the SZDSZ's view. Essentially everyone who espouses the social democratic platform represents the same view of society, and is opposed to the image of society projected by the ruling coalition. This is what the MSZP endeavors to do. This explains why parallel, on occasion joint action by the SZDSZ and the MSZP can be seen both within and outside of parliament. If, and to the extent to which [the MSZP] is indeed capable of becoming a social democratic party in terms of its political action both within and outside of parliament, then, and only to such extent is Vitanyi's suggestion for political cooperation appropriate.

The only question is to what extent this is really so. In my view, this is only partly true, and therefore I am unable to fully agree with Ivan Vitanyi.

Still Dividing Us: Program and Politics

What characterizes the MSZP program?

More than a year ago, prior to the election of National Assembly representatives I analyzed the MSZP election program on the pages of in this newspaper (BESZELO 3 March 1990). At the time I pointed out that the MSZP did not stand for a market economy based on the preponderance of private property, but advocated in its platform some kind of vague mixed economy and that it left open the issue of whether private ventures which follow business considerations or communal ownership forms of an uncertain orientation would play the lead role. In observing the MSZP's workings in the parliament last year one could have come to believe that the MSZP has transcended this position. It vocally approved of privatization and of the attraction of foreign capital, and criticized the inconsistencies of the cabinet in this regard jointly with the rest of the opposition parties.

On the other hand, an MSZP position paper published in May entitled "There is a better way" convinces me of the

opposite. "The socialists support an economy based on mixed ownership which comes about in part as a result of privatization and in part by creating social property. The components of the new ownership structure are: a substantially lower proportion of state ownership than thus far, the more efficient operation of the sector which remains under state ownership in the long term, individual and collective workers' property, a local government sector which supports itself by its own property, and finally, the broadening and strengthening of the entrepreneurial sphere." After reading this it is hard to tell what the MSZP really wants. Statements about workers' stock, communal workers' property and indivisible common property that follow the quoted passage in the position paper are more likely to tell us what the MSZP does not want; it does not want to see a market economy based on the preponderance of private property.

Entrepreneur Leader Palotas Interviewed
91CH0706A Budapest VILAG in Hungarian
3 Jul 91 pp 26-27

[Interview with Janos Palotas, National Assembly representative and National Association of Entrepreneurs' president, by F. T.; place and date not given: "I Will Still Be an Entrepreneur Long After You Have Left Politics"—In For the Long Term"—first paragraph is VILAG introduction]

[Excerpt] One of the most popular politicians of the country is an entrepreneur! Based on the latest public opinion survey Janos Palotas, president of the National Association of Entrepreneurs is head to head at the top of the popularity list with President of the Republic Arpad Goncz. The National Assembly, representative, politician-entrepreneur discussed his feelings as an entrepreneur, his own situation, role and future possibilities.

[F. T.] How does it feel to be an entrepreneur in Hungary today?

[Palotas] One could answer this question both in an optimistic and a pessimistic way, so that both answers would be realistic. The fact that entrepreneurs are to stay in society and in the economy in the long term is more clear today than ever before. In these days, it is relatively more easy to tolerate insults, slaps in the face, political reactions and the feeling of being cheated because we are able to say that "I will still be an entrepreneur long after you have left politics." At the time, the initial, by now more significant entrepreneurial ventures started around 1982, a sense of uncertainty still hovered in the air, a feeling that anything could happen at any time. An entrepreneur had to be an adventurer, one who could say to himself that society would be headed in the right direction if the sober mind prevailed. But one could not tell whether that would come about during the entrepreneur's lifetime. I had confidence when I began enterprising because I was only about 25 or 27 years old at the time, and was able to hope that this would take place during my lifetime. But those who were in their forties or fifties at the time, starting a new life, let's say ten years before retirement, could not be that certain. Fortunately, all this fear no longer exists, and therefore, my response can be optimistic.

But in today's society there are extraordinary tensions, and this is felt perhaps most by entrepreneurs. I am aware of course that they are not in the worst situation, but they can feel the tangible signs of tension when for instances solvent demand begins to decline in drastic proportions.

[F. T.] Accordingly, do entrepreneurs view the present with ambivalent feelings? Do they feel good as well as bad?

[Palotas] No. I would much rather say that fortunately, the tragic situation of ten years ago, the uncertain future, the uncertain perception of society about entrepreneurs, has ceased to exist. By now society views the entrepreneur, the new factor in the economy, as a ray of hope. I am grateful to see that they have confidence in me. The situation was more than worth the time when they spat at me.

[F. T.] What opportunities, what kind of economic milieu awaits a person who wants to enterprise in Hungary today?

[Palotas] The economic environment, the system of conditions, as well as the political sphere which creates economic laws is far more disillusioning. Not because I question whether the political sphere intends to establish an economic situation favorable to enterprises, but because it confuses its desires with its momentary actions. Entrepreneurs would be happy to support the economic policy program of any one of the six political parties. Every one of these calls for a private economy with a social outlook based on private property, and each party outbids the other. It is particularly dangerous to proclaim such a program when nothing of the program is realized in practice, moreover, at a time when they introduce measures contrary to such program. I do not agree with those who claim that they would introduce measures which provided incentives to enterprising but were unable to do so at this time, and that therefore, such measures must be delayed. But this is not the only thing we hear today. We also hear statements that tell we entrepreneurs to understand that they had no other choice but to tighten the conditions for entrepreneurs because entrepreneurs find themselves to be the easiest target within the economy. And unfortunately, this outlook is reflected in everything. Let's just think this over: After six months of silence at the end of last year, in times of 30 to 40-percent inflation the government's economic policy program, which proclaimed the stimulation of private enterprise, proposed to maintain the previous taxation system, together with its tax rates. In other words, this meant a 30 to 40-percent tightening!

[F. T.] As a politician entrepreneur and an enterprising politician, what are you able to do as a representative in the parliament against this outlook?

[Palotas] I think I am able to do something. For example, I offered 40 (!) amendments to the tax law, eight of which were adopted by the parliament. This represents a 20-percent ratio, and that's not bad. This included a high caliber proposal which in my view was unknown to the world, and which could serve as a model because of its contrary effect. It provides a 50-percent tax benefit to 100-percent Hungarian-owned enterprises at a time when we must stimulate foreign investment. Legal provisions to support foreign capital were created immediately, but no

one understood that there also was a need for a varied internal economic policy. The need for new Hungarian factors in the economy is at least as great as that for foreign participants. And in other respects, a majority of legal provisions, ranging from the requirement to provide receipts all the way to doubling penalty interest payments, all reflect a lack of confidence. These are still the reflexes of people from the past decades, some of whom not only remained in positions of power but gained power at this time. The latter are the people who were previously unable to acquire leadership positions not because of their political convictions, but because they were unfit.

[F. T.] What advice do you give to those who ask you in these days whether they should enterprise, and if so, what they should be doing?

[Palotas] It would be appropriate for the government to declare an economic policy which contained "break-through points." In other words, the program would state which branches of the economy should be counter developed because these branches are not regarded as competitive, and would define in the direction of which branches it wanted to open up, the ones that could become Hungarian "Swiss watches." Based on such program it would be possible to tell for what purpose people should be retrained, where the unemployed should try to find jobs, and where people who wanted to establish workplaces should invest their capital. It is not so difficult to find an answer to these questions if the government's economic policy program contains such a dimension. If there is no such dimension to it, then it is "beautiful" to be able to answer the question you just asked....

[F. T.] Accordingly, at present we are in a period of "beauty"....

[Palotas] Yes, but entirely independent from the way the political leadership acts, it is a fact that Hungary is a bridge in East Central Europe which is integrating itself with the European market, and will become the economic hub in East Central Europe within two to five years. This is true, because in Hungary they found a way to establish 17,000 enterprises which enjoy the right to be engaged in foreign trade, because there were this many people who knew the rules of international trade and were able to make decisions. Perhaps this number of enterprises with a right to be engaged in foreign trade does not even exist outside of Hungary in the East European region as a whole. Considering our geographic and economic situation, and this magnitude of entrepreneurial preparedness, it is certain that the breakthrough points of the Hungarian economy will not gain strength in the character of being an industrial great power, and not even in the framework of the military industry. Most certainly there will be a place and role for office buildings and large transit warehouses for example, and to accomplish all this, an extremely dynamic development of the infrastructure will be indispensable. These areas can be well defined, and are virtually all of which a businessman needs to be aware. These are the possible areas where investments must be channeled in Hungary, and not to specific industrial production. This is why it is necessary to reassure certain political leaders; they should

not lament when they do not see the influx of large industrial capital in the form of value producing capital—we need not create let's say a Ruhr region out of Hungary. The financial world, commerce and services also produce value. An influx of operating capital in these directions is very appropriate. These branches are also best able to cope with flawed economic policy. If we take a look at video tape recorder production within industrial production we find that the state of the art changes so frequently that the life span of this kind of activity is very short. The entire enterprise fails if out of a three year production span two years fail because of lack of solvent demand. In contrast, commerce, foreign tourism, and services are the typical branches of business whose life span lasts for between 20 to 50 years. For this reason, adverse results during the first two years do not produce a tragic outcome. If a person has money today and is looking for, and is able to find an investment field, he should become an entrepreneur even if he produces losses in the initial two years. He will become profitable in the third year not because this is the nature of things after two years of losses, but because by then the present economic policy will have failed....[passage omitted]

Vojvodinan Leader Reacts to Serbian Language Law

*AU2607100891 Budapest MTI in English 0955 GMT
25 Jul 91*

[Text] Budapest, 25 July (MTI)—In an interview with the Budapest daily NEPSZABADSAG, Janos Vekas, vice-president of the Democratic Community of Hungarians in the Vojvodina (DCHV), commented on the Serbian language act ruling that the names of towns and villages and street notices have to be written in Cyrillic. In minority-inhabited districts, should the local authorities decide so, the given name may also appear with Hungarian, Slovakian, Romanian, etc. spelling beside the Serbian.

According to Janos Vekas, the law amounts to a further step aimed at curtailing minority rights. The (Socialist Party) majority of the Serbian parliament behaves as if Serbia was a nation-state with an exclusive Serb population, and seeks to solve the minority question by eliminating it.

European public opinion should be informed about the new restrictions imposed on Serbia's Hungarian and other minorities. The president of the Democratic Community of Hungarians in the Vojvodina, Andras Agoston, sent a letter to Dragutin Zelenovic, head of the Serbian Government, calling attention to the continuous infringement of the rights of the Hungarian minority by a series of measures, such as the recent language act. The cultural infrastructure available to Hungarians in the Vojvodina shows alarming signs of decay. Buildings and assets are taken away under the pretext of privatization, coupled with recurring attempts at limiting the minority press.

"Despite the promise of Serbian President Milosevic, Serbian leaders are unwilling to talk about these questions. Returning to the use of town and village names, I hope that

this absurd idea, which makes a mockery of both languages, will not be translated into practice. If it is, we shall consider launching a civil disobedience action," the vice-president of the Democratic Community of Hungarians in Vojvodina said in an interview with NEPSZABADSAG.

Army Commander on Army's Technological Level
AU2807142091 Budapest NEPSZABADSAG
in Hungarian 24 Jul 91 pp 1, 7

[Unattributed interview with Lt. General Kalman Lorincz, commander of the Hungarian Army; place and date not given: "Distancing and Restraint"]

[Excerpt] [passage omitted] [NEPSZABADSAG] How well is the Army equipped technically?

[Lorincz] The situation is very mixed, and the roots of it go back more than one or two years. The previous deprival of development funds is felt very strongly today. Nevertheless, the Hungarian Army is not a scrap yard. Military engineering equipment can continue to function for a long time at certain services, while the useful life of others will soon expire, therefore, their maintenance is becoming increasingly uneconomical.

[NEPSZABADSAG] Which ones are you talking about in the latter case?

[Lorincz] I was referring to some technical and armament items, a part of our fleet of airplanes and helicopters, and certain elements of military electronics and radio engineering.

[NEPSZABADSAG] Rumor has it that two or three airplanes are sometimes dismantled to keep one functioning airplane in operation.

[Lorincz] This is possible, because the systems must be kept operational by all means available. We are working on a military technology and armament concept that will be submitted to the government or updating the Hungarian Army's arsenal. We will definitely not be able to advance considerably until 1994, and I would expect the modernization of our arsenal to take place in the second half of the 1990's.

[NEPSZABADSAG] What are the basic ideas of this modernization?

[Lorincz] It will have to rest on three pillars. There are some pieces of equipment made in the former Eastern Bloc that we can continue to use after the mid-1990's. We have to establish the conditions to operate these. Second, we have to promote the influx of Western technology, engineering, and armament, but wishes are not enough. Third, however bad our situation is at the moment, we seriously count on the Hungarian military industrial base that is able to supply important parts of military electronics and many components of a soldier's personal equipment in good quality and on a European level. Our goal is to end our one-sided dependence and subordination, to prevent our technology from becoming impossible to manage, and to create the possibility for the establishment of a higher level of technological culture in the Hungarian Army.

Professional Border Guard Establishment Delayed
LD2807011191 Budapest Kossuth Radio Network
in Hungarian 1600 GMT 27 Jul 91

[Text] The setting up of the professional border guard in Hungary has been put off to a later date. The chairman of the supervising office of the Interior Ministry said that the reason for the decision is that there is not enough money, the foreign policy situation is not advantageous for the measure, and, at present, they would not be able to employ enough people at the border crossings to stop the new migration. Laszlo Korinek spoke at an event in Koermend where 194 professional border guards were inaugurated.

Antall Views Scientific Work Issues
LD2307184491 Budapest Kossuth Radio Network
in Hungarian 1600 GMT 23 Jul 91

[Text] Prime Minister Josef Antall has visited the Chamber for Innovations. Julie Szamado reports:

The government should create a ministry for science and technology, which would direct and coordinate the tasks of technical development, because the present Ministry for Industry and Commerce is not able to fulfill this task. This has been proposed by the experts of the Chamber for Innovations. Prime Minister Jozsef Antall replied that the present National Committee for Technical Development, headed by a minister without portfolio, together with the government's expert advisers and the parliament are suitable to determine the program for innovations.

At the same time the head of the government stressed that a major requirement for the development of scientific research is that specialization within the sciences should become stronger, and this applies to every branch of science. We have to support scholarships abroad for the young, but we have to decide what will be their duties when they have completed their studies and returned home. As Jozsef Antall said, the country is living in a devilish circle, because the support of the scientific world is needed for economic progress, but to make this possible, there is a need for a well-functioning economy, which could provide funding for the strengthening of scientific work facilities. To break out of the existing situation is only possible by concentrating available funds and effective intellectual strength, for which the coordinated transformation of higher education is essential.

Cabinet Reaches Wage Liberalization Decision
LD2507220991 Budapest MTI in English 1333 GMT
25 Jul 91

[Text] Budapest, 25 July (MTI)—Wage liberalization can be introduced on the condition that the wage bargaining system effectively ensures the observation of the minimum and maximum wage increases allowable, was the decision reached at the session of the economic cabinet on Wednesday.

As the system for wage agreements is not expected to be completed by the beginning of 1992, the cabinet proposes that the government suspend wage regulation as of 1

January 1992, in a way that allows it reexamine the development of the wage situation every three months.

The situation is different in the case of the state-supported institutions, which organizations should ensure that wages are kept in line with the rate of inflation.

With respect to the central measures needed for grain purchasing and marketing, the cabinet proposes that the government authorize the leaders of the relevant ministries to work out the temporary ways to finance and organize the means necessary to raise the strategic wheat reserves. If possible, the European Bank for Reconstruction and Development should also be involved in financing exports and in providing export guarantees.

SZDSZ's 'Crisis Management Program' Discussed

*91CH0725A Budapest BESZELO in Hungarian
13 Jul 91 pp 27-29*

[Part I of an interview with Bela Greskovits, editor of the Alliance of Free Democrats (SZDSZ) Crisis Management Program, by Janos Eorsi; place and date not given: "Against Price Increases"—first paragraph is BESZELO introduction]

[Text] We underscore two problem areas of key importance that emerged in the discussion with the framer of the crisis management program. This week we will discuss the management of inflation (in other words, economic stabilization), while in the continuation to be published next week we will deal with privatization. Bela Greskovits is trying to convince us that the issues of inflation and privatization are closely related. The program theses contain compromises on more than one point, because the experts argue a lot among themselves. At this time, however, for the sake of time and in order to rid ourselves of the burden of having to distinguish between detailed issues, we present findings in regard to which a consensus has evolved among those who wrote the program.

[Eorsi] Why did you prepare a crisis management program?

[Greskovits] It is appropriate for an opposition party which prepares itself to govern to chart the country's condition from time to time, and to think through what it would do if it held power, if it were part of the cabinet, and what it should represent through its already acquired political and power positions. The Hungarian economy experiences a crisis situation. The prime minister said that there was no crisis, just as they did not like to hear this word in the early or middle 1980's. They also claim (both in Hungary and abroad) that compared to the rest of the East European countries Hungary is better off and that we enjoy the best chances. But this is not the real argument (Austria is also better off than let's say Bulgaria); our situation must be assessed primarily in comparison to ourselves.

The cabinet is delayed in taking crisis management measures, or if it not, the steps it takes are of the kind which increase uncertainty in the country. Uncertainty is being

sensed by workers all the way up to enterprise managers; our most important energy source on which we could count may become clogged: people themselves are trying to improve their own situations. Too much expectation will revert to the cabinet unless there exists a clear framework for action—let the government resolve the problems! This would turn out to be a snake which bites its own tail. Uncertainty is a natural companion of the present huge economic transformation of course, but we have good reason to assert the lack of a framework and conditions within which the pragmatism and inventiveness of people provides individual and institutional solutions to the crisis situation.

[Eorsi] What are the crisis centers?

[Greskovits] In our view, the crisis consists of four important components. One is recession, the continuous decline of production which is now becoming aggravated as a result of the collapse of Eastern markets. The other is inflation. Although galloping inflation does not exist, the deterioration of money can no longer be sufficiently controlled, it is almost out of control and one must count with the threat of explosion. Third, however bravely the Hungarian National Bank [MNB] manages the indebtedness, the threat of insolvency has not passed over our heads. Fourth, an ever broadening stratum of the populace is affected by the phenomenon of sliding down, of experiencing misery and unemployment.

[Eorsi] We may also read about these phenomena in the Kupa program. What is new in what you have to say in judging the situation?

[Greskovits] Contrary to the Kupa crisis management plan (which does not provide a ranking based on key issues) we definitely underscore the antiinflationary policy. The same thing was done in the SZDSZ election program (Economic and Social Program, BESZELO Supplement 15 March 1990). But at this time we got farther in analyzing the causes of inflation, we recognize a deep correlation between the state property that prevails in our economy on the one hand, and inflation on the other. We cannot count on successful antiinflationary action as long as state property has definitive proportions and pervades the economy. For this reason, an acceleration of privatization is required even from the standpoint of harnessing inflation. The Kupa program does not consider this correlation and presumes the decline of inflation to a single digit by 1994 purely on the basis of cyclical developments (which appear to us as lacking foundation anyway).

[Eorsi] What is the relationship between the preponderance of state property and inflation?

[Greskovits] This can be understood if we consider the fact that an economic policy with an antiinflationary intent has been pursued in Hungary for quite some time. This takes place under the label of monetary and fiscal restriction (holding back on the volume of money in circulation and on state budget expenditures), and yet inflation has been accelerating at an increasing rate. The basic question is why these measures do not work, measures which are

fundamentally similar to those applied in Western countries. In our view, there are no problems with the principle of these measures. The trouble is that the effects of these measures are neutralized by the lack of developed market institutions, and by the medium in which state property dominates. There are two additional factors which fuel inflation: The debt service constantly forces us to acquire foreign trade and foreign tourism revenues, but income not covered by merchandise in the domestic market is produced as a result; and further, inflationary expectations play a role, meaning that those involved in the economy anticipate price increases from the outset, and enforce such price increases in their calculations.

[Eorsi] What can be done about these inflationary expectations?

[Greskovits] Attention must be paid to them by all means whenever central measures are implemented. For example, the present drastic increase in household energy prices was a mistake. It fueled inflationary expectations at a moment when the rate of inflation appeared to have slowed down (and the fact that the deterioration of money has not accelerated constitutes a serious achievement).

[Eorsi] A widespread perception holds that state property and inflation are linked because large state enterprises enjoy monopolistic situations, they have an opportunity to convey increasing costs and to make their shippers stand in line when it comes to paying bills. In principle, this perception is also shared by the ruling parties while in practice (aside from the import liberalization initiated by the Nemeth government) not much has been done to dissolve the monopolies. Another closely related dispute questions whether there is a continued need to regulate wages in the state sector. At negotiations before the Interest Reconciliation Council the government was also inclined to release the brakes on wages (in response to pressure exerted by the National Federation of Hungarian Trade Unions [MSZOSZ] and by employers).

[Greskovits] In our view, strict wage regulations would be needed in the state sector, but since wage competition exerts inflationary effects, the evolution of wage rate agreements would also be desirable in the private sector. This, however, would require strong trade unions.

As far as the explanation of inflation is concerned, I would underscore once again that the greatest concern we have is that the state and the central bank are not strong enough to assert the need for harnessing inflation vis-a-vis an economy which is owned by the state to the extent of 90 percent. Large enterprise interest groups are able to remove themselves from under the sphere of influence of budgetary policies aiming for the reduction of expenditures. Although fortunately, the MNB can be held accountable by the parliament and not by the cabinet, it is still not sufficiently independent to observe exclusively the requirements established by the needed volume of money in circulation. And the commercial banks are reluctant to use the means of denying credit, introducing more stringent conditions or of initiating bankruptcy proceedings,

their several tens of billions of forints worth of questionable receivables also represent a superfluous volume of money. The interenterprise indebtedness has the same effect on banks; the relaxation of payment discipline is characteristically tied to the operation of state property. This would be inconceivable in a civil society.

To top it all off, antiinflationary measures also exert an inflationary effect in an overwhelmingly state owned medium. This is because the related measures (e.g. scaling down subsidies, raising interest rates) prompt cost increases at the enterprises, a substantial part of which enjoys monopolistic situations however, and thus, easily avoids the monetary squeeze by raising prices. This is what we call secondary inflationary effect. And if we wanted to break the monopolies there could also be a tertiary effect. Breaking up enterprises is an expensive business, superfluous capacities evolve in the wake of import liberalization, and the liquidation of these is also expensive, because it creates incremental demand without the backing of goods.

[Eorsi] What could be done in this apparently hopeless situation?

[Greskovits] When we say that in the given medium antiinflationary action is unable to exert the desired effect we do not suggest that strict financial policies and thrifty budgetary policies should be surrendered.

In our view, the cabinet is not consistent in this regard. This can also be seen from the fact that as a result of horrible amounts of state guarantees pledged for the purposes of the World Expo and for certain foreign investors, a risk amounting to several hundred billions of forints weighs us down in conjunction with indemnification and the reprivatization of church property. Whereas the cabinet should manifest resistance to demands for both large state orders and subsidies, as well as in the process of judging wage demands arising in the state sector. There is a need for expense reduction programs; we should find out what kinds of budget reserves are concealed by the armed forces and by the state machinery. Personnel in the latter category has increased greatly under the Antall cabinet. The large service provider systems (pension system, health care, family supplements, education) require comprehensive reform, but the specifics of the needed action are subjects of debate also among SZDSZ experts. Thus, in the end, compromise language has been incorporated into the program theses. The central bank must be made fully independent, the state household must be fully separated from the money supply function.

[Eorsi] As we progress toward the lower echelons (local governments) in the draft state budget law we find increasingly stringent financial rules. Yet, with respect to the cabinet, they do not want to establish as much as a deadline for submitting the budget.

[Greskovits] This is indeed odd. But stringency must be increased in the world of money, the central bank cannot finance the unsupported expenditures of the state, refinancing loan funds granted automatically to commercial banks should be tightened, and in our view, preferential

interests rates should also be curtailed somewhat. The failed receivables held by commercial banks must be liquidated, we must declare war on the standing in line phenomenon while paying attention of course to managing the program while "in progress" (e.g., by developing banking activities which purchase the receivables held by enterprises). We would not shy away from applying administrative measures to break up monopolies, although in this regard we feel that stimulation of competition, further gradual import liberalization and deregulation (i.e., the weeding out of superficial regulations) is more effective. In the field of deregulation nothing more has happened since the Nemeth government than the mere mention of the word. Our program enumerates the areas in which unwarranted overregulation still exists.

[Eorsi] Thinking about antiinflationary policies may be highly satisfactory to experts. But what can this kind of thought provide to the voters and to the free democrat membership? Where is the room for them to act? And how should they digest the fact that the experts raise the specter of such tough measures?

[Greskovits] This is a very important question! I will try to respond as a simple free democrat (because I helped prepare the program not as a politician but as an expert). In my view, just as Janos Kornai stated this for the first time in his *Passionate Pamphlet*, it is possible to forge political capital out of the struggle against the deterioration of money. Inflation strikes everyone (and primarily the poor and those on a fixed income). This is likely to be insufficient for those who lose out in this battle, those, who are put out on the street, for example. Tough measures are unpopular because there are many losers. Nevertheless, a political party must not yield on certain basic points. Very appropriately, the SZDSZ announced that it was opposed to the world exposition, even though this was an unpopular thing to do (at least according to supporters of the Expo). But by saying this I do not claim that it is possible to accurately define limits with respect to everything—limits in regard to which we would not yield. The limit is a matter of bargaining, and this bargaining process cannot be conducted based on the thinking of experts.

And yet our crisis management program includes a possibility for its supporters to search for the limits which are regarded as important. There are some who believe that a contradiction exists between the economic part of the program on the one hand and the social part entitled "There shall be no two Hungarys...." on the other, because it is difficult to mutually reconcile stringent antiinflationary measures and the management of unemployment, the phenomenon of sliding down, and poverty. I do not regard such contradiction as a problem even if it exists; we wrote a program, not a scientific thesis. The program does not belong to a person, but to a party which includes people who desire to become part of the central power, and which has other people who would enter into entrepreneurial ventures, and yet others who as employees find themselves threatened. In my view, the endeavors of all of these people must be tolerated, and thus, we must also tolerate the conflict between their various endeavors.

Moreover, having such conflicts is desirable. On the other hand, I am an economist and not for example a trade union man; I think according to my profession, while trade unions should think with the heads of employees. This could also provide an answer to the question that pertains to the place where there is room for action. Beyond this, one must also understand that our crisis management program expressly sides with enterprising because it is against monopolies and against overregulation.

[Eorsi] We thank you, we will continue next week.

MNB First-Quarter, Preliminary 6-Month Reports

First-Quarter Report

91CH0754A Budapest FIGYELO in Hungarian
4 Jul 91 pp 1, 23

[Article by Dr. Ervin Fabri: "Hungarian National Bank Report—Good Surplus, Bad Surplus...."]

[Text] The favorable financial processes of 1990 continued throughout the first quarter of this year. The current convertible currency balance of payments remained positive; the amount of foreign operating capital investment increased; our international reserves increased. On the other hand, the fact that our nonconvertible currency receivables also increased is unfavorable.

Table 1. Main Items of the Current Balance of Payments During the First Quarter of 1991 (in millions of dollars)

	Balance
Mercantile trade	+ 129
Freight and forwarding	- 24
Services	+ 62
Foreign tourism	+ 67
Interest	- 338
Profit transfers	- 13
Uncompensated transfers	+ 200
Other current payments combined	+ 76
Current Balance of Payments	+ 159

At the same time, the minimal net increment in enterprise indebtedness to banks and the increase in the volume of money well below the inflation rate indicate that credit and monetary policies were appropriately applied.

The first quarter 1991 convertible currency current balance of payments shows the accumulation of a \$159-million surplus. This represents a \$208-million improvement over the \$49-million deficit during same period in 1990.

The surplus was created by excess revenues in the mercantile trade, service, foreign tourism and uncompensated transfers categories. The surplus building effect of these factors was moderated by the excess outflow of interest

payments. Mercantile trade produced a \$129-million surplus. This is the balance \$2,231 [as published] in export accounts receivable and \$2,102 [as published] in import accounts payable.

Foreign tourism revenues amounted to \$208 million during the first quarter against \$141 million in outlays. The difference between these two figures produced the \$67-million surplus during the three month period.

The negative balance of interest payments amounted to \$338 million. This was derived on the basis of \$64-million interest income and \$402-million interest expense.

As of 31 March the country's gross indebtedness amounted to \$20,062, while the net indebtedness was \$14,628.

As compared to 31 December 1990, gross indebtedness at the end of the first quarter declined by \$1,028 or 5.7 percent and accounts receivable shrunk by \$102 million or 1.9 percent. Based on these figures the net indebtedness declined by \$1,310 or 8.2 percent during the first quarter. Although the three month balance of payments surplus also played a role in this, the decisive reason for the reduced dollar amount of indebtedness is that after a long period of weakening, the dollar gained strength against leading currencies in March. The larger part of Hungarian indebtedness is payable in these leading currencies.

Table 2. Indebtedness Payable in Convertible Currencies (in millions of dollars)

	Amount		Change, First Quarter 91	Index, 31 Dec 90 = 100%
	31 Dec 90	31 Mar 91		
Gross Indebtedness	21,270	20,062	- 1,208	94.3
Gross Receivables	5,332	5,434	+ 102	101.9
Net Indebtedness	15,938	14,628	- 1,310	91.8

Foreign Capital

During the first quarter the total amount of foreign operating capital brought to Hungary through the banking system in the form of money increased by \$150.3 million or 26.4 percent, and represented \$719.3 million as of 31 March. Medium and long-term loans amounting to \$1.3 billion were assumed, and loans amounting to \$541 million were paid off during the first quarter. The excess loan amount, the balance of payments surplus and the influx of operating capital jointly enabled the replenishing of foreign exchange reserves. Our international reserves in the form of convertible currencies increased by \$617 million or 52.9 percent between the end of last year and 31 March, and amounted to \$1,783 million at the end of the first quarter.

As reported earlier, a \$1.2-billion balance of payments deficit has been projected for 1991. Although the deficit will not be as large as projected, the excess revenues recorded thus far will turn into excess outlays. The first sign of this scheduled change in trend is the fact that the current balance of payments surplus for the first four

months of the year will amount to somewhat less than half the first-quarter surplus: \$76 million. This is based on already existing data for April.

The unfavorable trend in the current balance of payments in nonconvertible currencies continued. During the first quarter the closing balance showed a \$252-million surplus. Considering the \$43-million negative balance a year earlier, the present balance reflects a deterioration of \$295 million. An overwhelming part of settlements in nonconvertible currencies originates from trade transactions payable in rubles. In this regard excess revenues amounting to 609 million rubles evolved during the first quarter. Considering the deficit of 185 [million] rubles the year before, the new balance reflects a 794-million-ruble deterioration in the course of 12 months. This evolved decisively as a result of excess mercantile exports. The balance of payments surplus increased our net receivables as of 31 March to 2,784 million rubles. A sense of the magnitude of this amount may be conveyed by indicating that the amount equals 3.7 percent of last year's GDP. The Soviet Union owes 81.6 percent of this amount, or 2,272 million rubles.

Table 3. MNB Domestic Loan Amounts and Changes (in millions of forints)

	Amount 31 Mar 91	Change as Compared to 1 Jan 91	1 Jan 91 Amount = 100%
a) Outstanding loan caused by the financing of the budget deficit, budgeted organizations, the social security fund, and large investments by the state	811.6	+ 30.7	103.9
b) State budget indebtedness caused by the official devaluation of the forint	677.7	+ 158.5	130.5
1. Total indebtedness of the state household (a + b)	1,489.3	189.2	114.6
2. Credit granted to banks and the amount of rediscounted notes	360.3	+ 5.1	101.4
3. Loans granted to entrepreneurs	1.2	+ 0.5	171.4
Domestic Loans Granted by the Hungarian National Bank (1 + 2 + 3)	1850.8	+ 194.8	111.8

Table 3 shows the central bank's domestic lending. Out of the 194.8-billion- forint or 11.8-percent increase in the total amount of loans, 189.2 billion forints were granted to the state household, but of this amount a 158.5 billion forint increase was incurred as a result of the forint devaluation in January. Not counting this amount the increase in the state household's indebtedness to the central bank amounted to 30.7 billion forints. This amount represents the difference between 41.7 billion forints in loans granted and 11 billion forints in paid off amounts. (State household borrowing is related in part to the way the deficit evolves. The state budget's first-quarter deficit amounted to 22.2 billion forints, less than the projected amount of 23.5 billion forints.) Simultaneously with the state household's increased indebtedness, state household deposits at the central bank increased by 19.9 billion forints. Thus the net increase in state household indebtedness for the first quarter amounted to only 10.8 billion forints, (1.5 percent).

The amount of loans granted by the MNB to the banking sphere increased by 5.1 billion forints or 1.4 percent during the first quarter. This came about as a result of an increase of 16.5 billion forints or 5.7 percent in refinancing loans, a decline in foreign exchange loans amounting to 4.2 billion forints or 9.4 percent, and a drop in central bank holdings amounting to 7.2 billion forints or 34 percent.

As of 31 March gross enterprise borrowing from banks (including loans granted by commercial banks, specialized financial institutions and notes rediscounted by the MNB) amounted to 596.4 billions forints, representing a 20-billion-forint or 3.5-percent increase. Considering enterprise bank deposits, the banks had 294.8 billion forints in net outstanding loans on the last day of the quarter. This represents an increase of 3.9 billion forints or 1.3 percent as compared to the beginning of the year. The ratio of deposits versus loans changed from 49.5 percent to 50.6 percent, by 1.1 percentage points. (See Table 4.)

Table 4. Enterprise Indebtedness to Banks; Enterprise Demand Deposits at Banks (in billions of forints)

	Amount		Change During First Quarter	Index, 2 Jan 91 = 100%
	1 Jan 91	31 Mar 91		
a) Borrowings from commercial banks and specialized financial institutions	555.6	583.4	+ 27.8	105.0
b) Notes payable to the MNB, in rediscounted notes**	20.8	13.0	- 7.8	62.5
c) Total indebtedness of enterprise sphere (a + b)	576.4	596.4	+ 20.2	103.5
d) Enterprise deposits held by commercial banks and specialized financial institutions	285.5	301.6	+ 16.1	105.6
e) Enterprise sphere net indebtedness to banks (c - d)	290.9	294.8	+ 3.9	101.3
f) Ratio of deposits and loans (d/c x 100)	49.5	50.6	—	—

* Not including National Savings Bank [OTP] and savings cooperative data

** Not included notes rediscounted by the OTP and by savings cooperatives

Between 1 January and 31 March 510.5 billion forints flowed out of the central bank's coffers, and 516.3 billion forints flowed back. The difference between these two figures (including funds held by banks) indicates a decline of 5.8 billion forints in the total volume of cash. On 31 March the total volume of cash consisted of bank notes worth 219.9 billion forints, and coins amounting to 4.7 billion forints, i.e., a total of 224.6 billion forints. After deducting bank notes and coins held by financial institutions as values which cannot be regarded as money until their outflow, bank notes and coins worth 202 billion forints were in circulation in the economy as of the end of March. This is 7.7 billion forints less than on 1 January.

Volume of Money

As of 31 March the total volume of money (cash plus moneys in bank accounts) amounted to 915.2 billion forints, which is 182.6 billion forints or, counted in nominal value 24.9-percent more than on the same date a year before. Within this increase, the growth of enterprise deposits, individual deposits, and insofar as growth rate is

concerned, small entrepreneurial deposits were particularly large. The growth rate of the volume of money is smaller than the inflation rate.

Preliminary 6-Month Report

91CH0754B Budapest FIGYELO in Hungarian
4 Jul 91 p 24

[Article by (WIESEL): "MNB Council Meeting; Growing Confidence in the Forint"]

[Text] At last week's MNB [Hungarian National Bank] regular council meeting President Gyorgy Suranyi informed banking industry leaders of the economic results of the first half of 1991 and underscored the effectiveness of monetary policy. Among other matters Suranyi said that the anticipated balance of payments for the first six months will be far more favorable than expected. This situation evolved despite the fact that consistent with actual developments, second quarter results were less favorable than those in the first quarter. The main reason for this change is the amount of carryover revenues from last year into the first quarter, according to Suranyi. He

noted that it was likely that exporters' expectation of a forint devaluation and the consequent delay in collecting payments played a role in building up this carryover.

Suranyi indicated that significant foreign capital investments amounting to about \$400 million took place during the first five months of the year, nevertheless the total amount of operating capital influx can only be estimated, because a significant part of that appears as capital contribution in the form of machinery.

As compared to the same period in 1990 foreign exchange reserves were higher by between \$800 million and \$1 billion. The fact that it was possible to call in resources from international financial institutions on time, and that these borrowings materialized essentially at a pace consistent with agreements contributed to the evolution of a favorable position.

Individual savings increased during the first six months and the structure of savings became more diverse because of the broad array of securities that appeared on the market. The total amount of foreign exchange deposits also increased significantly.

Inflation was successfully controlled, the inflation rate remained 2 to 3- percent below the projected rate because producer price increases were reflected in consumer prices with a delay and consumer energy price increases were postponed.

In a cautionary note Suranyi said that the fight against inflation was not over, antiinflationary policies have not yet taken root, but by applying monetary policy measures they were doing everything possible to maintain solvent demand in line with production in order to avoid the creation of money without appropriate backing.

Unemployment did not increase during the month of May despite the fact that the CEMA market collapse was creating catastrophic production problems in certain branches of industry and in large enterprises.

Suranyi also mentioned the strong improvement of the forint's black market exchange rate. In conclusion, he pointed to pleasing phenomena which suggest increased confidence in the forint on part of the populace.

MNB Deputy President Sandor Czirjak reported in detail about changes in the volume of money during the first half of the year. (See details on p 23 [the above article concerning first quarter results].) Nevertheless the volume of money increased at a faster rate than the nominal value of the gross national product, and continued to indicate excessive liquidity even today. This is one of the reasons why the MNB is forced to tighten credit and enforce further restrictive measures in the third quarter. In order to ensure an appropriate level of security in regard to payments, commercial banks must strive to accumulate reserves equaling five percent of their liquid assets.

Borrowing by enterprises has expanded, and within that, the increase in borrowing by small entrepreneurial ventures was largest, but even this way the level of borrowing fell short of the anticipated level. The volume of deposits by enterprises increased, and within that, deposits by small enterprises showed the fastest increase reflecting a 20 percent growth.

In a dramatic appeal the deputy president called attention to the fact that providing credit to agriculture was the greatest test of strength these days for the banking system. A significant surplus in produce may be expected and the sale of this surplus has not been resolved. Czirjak called on commercial banks to regroup their resources and to help this branch of the economy in resolving the problem. He said that the MNB did not intend to interfere unless an emergency situation evolved—in the event that the desired regrouping did not materialize on time.

Miklos Pulai, the Banking Association executive secretary, presented a multifaceted analysis of the diverse concerns which attend agricultural credit and in general, the financing of agriculture. He urged that this problem be resolved rapidly and effectively.

MNB Deputy President Frigyes Harshegyi delivered a detailed report concerning the country's foreign exchange situation. He stressed that based on the performance record of the first six months the management of our foreign debt—appropriate, on time payment of interest and principal—caused no concern. He expressed pleasure over the fact that by using official resources they managed to cover half of the debt service payment amounting to \$1.3 billion; the issuance of bonds worth between \$300 million and \$400 million appears to have been settled, and an additional \$400 million must be produced by commercial banks through credit transactions. He made specific mention of the recent success of MNB bonds in Germany. Borrowing by commercial banks from abroad fell behind the expected level, even though previously the commercial banks made strong demands to acquire the right to pursue such transactions. Fifty percent of the debt should be managed by commercial banks in the future, Harshegyi said.

Representatives of commercial banks complained that the MNB has not yet removed itself from the short term foreign exchange credit market. In response, Harshegyi said that the MNB was intent on doing so shortly, nevertheless it would maintain the role it played in the medium term market involving the issuance of bonds, etc. This is likely to have an indirect effect on the short-term credit market.

In conclusion, a representative of one of the commercial banks described the situation in which services, the increase in energy prices, etc. greatly increased the operating costs of banks, and that therefore it has become necessary to increase banking service fees. Central bank representatives rejected this idea claiming that the financial data of banks for 1990 did not support the idea of raising banking fees.

State Guarantee on Bad Enterprise Debt*91CH0751C Budapest FIGYELO in Hungarian
27 Jun 91 p 30*

[Article by w.: "Purging Banks"]

[Text] The administration has taken action to free the banks from their inherited loans which have become questionable. The state provided a five-year guarantee to cover half of the inherited questionable receivables. This amounts to 10 billion forints.

We inquired from Katalin Botos, minister without portfolio, Sandor Czirjak, Hungarian National Bank [MNB] deputy president, Rezso Nyers Jr., MNB managing director, and Laszlo Mohacsi, Hungarian Credit Bank [MHB] deputy president in regard to this action.

Katalin Botos, the lady minister charged with the supervision of the banking system had this to say: "Governmental action to put in order the portfolios of banks was announced after extended debate. It constitutes a rational compromise which shares the related burden between the state and the commercial banks, and which also stimulates debtors to establish their own solvency. The financial cabinet does not provide this guarantee to the banks free of charge, and thus, one may assume that this guarantee will constitute a relatively small burden on the budget. The 'purging' of banks must be accomplished within a definite period of time and must not be synchronized with the maturity dates of the original loan agreements. Having seen international audits, the financial cabinet has appropriate information about the size of the total indebtedness that has been accumulated in banks that await the guarantee. It is an important purpose of this action to improve the composite position of banks, and to thus enable banks to comply as soon as possible with the requirements of the banking laws and with international standards. The principles underlying the rules are clear cut, only certain technical details of implementation remain to be clarified."

We talked with Sandor Czirjak concerning the coverage of the state guarantee. Czirjak said that an overwhelming part of the loan guarantee covers half of the indebtedness and potential loss on outstanding loans that have been "inherited" from prior to 1987, i.e., questionable loans. In the final analysis, the joint debt liquidation program of the state and the banks means that the burden of real economic losses appearing in the form of credit losses will be spread throughout society.

In response to our question Czirjak also said that writing off half the amount of the credit losses could significantly reduce bank reserves. As a result the ratio of the bottom line of financial statements and of reserves could temporarily deteriorate. Czirjak stressed, however, that a situation like this could not be tolerated in the long term, nor would the upcoming law on financial institutions enable a situation like this, and reserves beyond taxable profits would have to be replenished even if to the detriment of divisible profits, i.e., dividends.

According to Czirjak, as a result of a situation like this, the state—the largest owner of the largest banks—would be

deprived of significant dividend income in addition to profit tax revenues, and therefore, it would make sense for the state to underwrite as much as 75 percent of the liquidation of questionable loans.

The deputy president called attention to the fact that this measure served the purpose of more effectively enforcing monetary policy, and that it had no direct short-term effect on the volume of money in circulation. The incentive of banks to transform the economy, to accelerate privatization, and to minimize losses will be increased, and one may hope that as a result of this measure banks will be more active in initiating bankruptcy proceedings and in collecting at least part of their receivables. At the same time, a better rating of the bank's outstanding loans would support the introduction of these banks at the stock exchange, as well as their privatization and their ability to attract capital. In the long run, the owners will regain the loss of dividends they "suffer" because the value of banking stock will rise.

Rezso Nyers said that the criterion for taking advantage of the state guarantee is that lending losses must be proven. Funds to be provided under the guarantee must be in the form of budget requests by the banks. Nyers also noted that in order to observe or achieve the prescribed or desired ratios between assets and reserves, banks must moderate not only their dividend payments but must also endeavor to secure additional capital. Quite naturally, they could also improve the ratio by reducing the volume of their lending and investments. The latter, however, would by all means be accompanied by at least a temporary deterioration in the financial situation of the real economy.

Nyers believes that it would be desirable to use as little as possible of the budgetary guarantee as a result of efforts made by banks and by debtors, because in the final analysis use of the guarantee fund presents a burden to society.

MHB Deputy President Laszlo Mohacsi said that MHB records show 7.3 billion forints worth of old debts which must be regarded as lending losses. However, this amount is only an indicative value, because the MHB's largest debtors are large enterprises such as Videoton and Ikarus, whose crisis problems should be resolved as soon as possible. Thereafter, there would be hope for recovering the outstanding loans. The government guarantee helps the banks, it facilitates their activities and permits clear thinking. However, this decision will not change the MHB business policies adopted at its latest general meeting.

Proposed Land Use Tax Described, Discussed*91CH0751B Budapest FIGYELO in Hungarian
4 Jul 91 p 15*

[Article by Zoltan Kerek and Erzsebet Lazar under the rubric "Agriculture": "Tax Prospects"]

[Text] The financial cabinet is intent on developing an agricultural taxation system which does not substantially change present tax levels. The new system is to follow the general principles and forms of taxation, consider the transitional organizational changes and peculiar characteristics of agriculture, and stimulate and force efficient land use.

Considering the uncertainty that accompanies transformation and the necessity to maintain tax levels, the new system must be based on legal foundations which remain stable and virtually unchanged in the course of transformation, and which yield appropriate and secure budgetary revenues even during the transitional period.

The tax system should be easily manageable from the producer's standpoint and should result in a reduction of income that can be calculated in advance. The land use tax is the most appropriate method by which these goals can be accomplished.

The new land tax—land use tax—must be neutral with respect to the various sectors and organizations, and must be developed so that to a certain extent the land tax also function as an income tax. Farmers cultivating better quality land and acquire a disproportionately larger income than others should pay relatively higher taxes.

According to preliminary calculations, the present amount of land taxes collected from large agricultural plants should be doubled. The resultant tax would still be several times lower than today's prevailing land use taxes collected from small producers.

In order to discontinue these differences, land use tax rates for small producers must be established at the previous, lower level. In the future the proposed land use tax will not be deductible as an expense, but will be deducted from corporate and personal income taxes.

The present system of land taxation must also be changed. A lower threshold limit starting at the four or six Gold Crown value should be established, and, compared to the present system, a far greater graduation of taxes should be allowed to prevail burdening better quality land, which has a higher income potential.

This tax would apply to farmers who base their existence on agriculture and produce agricultural goods. Persons who do not own large tracts of land should be exempt from under paying land taxes. Such exemption should be granted up to 200 square fathoms of land per person, or a maximum of 400 square fathoms per family (closed in garden, hobby, small garden).

Owners of larger tracts of land than the established limit should not enjoy any tax exemption at all. Similarly, certain activities (e.g., production under folia, sowing seed production, tree nurseries, flower and decorative plant gardening, production of other propagation material, etc.) will not qualify for tax exemption.

A member of a farming association who contributes his land as capital to the association will be treated differently from the standpoint of land taxes than a member who leases his land to an association. In the first case the farming association will pay land taxes, in the second case the lessor of the land.

Under the new tax system companies operating as legal entities must pay corporate taxes after income derived from common activities, independent from the type of activity involved.

As a result of the general character of the system, companies organized as legal entities and active in agricultural production (producer cooperatives) will pay corporate taxes. Income derived from agriculture is also subject to the payment of personal income taxes. Agricultural production constitutes a special income producing field however, in which a number persons who earn a small income are unable to fulfill the requirement for itemized accounting. One could expect these person to maintain a record of income at most. The tax exemption up to the 500,000 forint sales revenue limit that have prevailed thus far will be discontinued.

Considering the above, up to a certain amount of annual sales revenues income will be calculated on the basis of aggregate expenses. Income earned over and above this sales revenue limit will be determined on the basis of itemized accounting.

If annual sales revenues derived from the sale of a farmer's own agricultural production do not exceed 500,000 forints, the annual income may be calculated on the basis of either aggregate costs or itemized accounting. Taxpayers have a right to choose between the two methods in determining their tax base. Once a choice is made, however, the same method must be used for several years. If annual sales revenues exceed the 500,000 forint limit, itemized records must be kept for determining the personal income tax base.

The recommended rate of aggregate cost calculations regarding plant growing activities is 60 percent of the sales revenues, while in animal husbandry the rate is 80 percent.

Additional limitations with respect the choice available to persons whose annual sales revenues do not exceed 500,000 forints are as follows:

- The tax payer must have income derived from the sale of products he himself produced or grew in the framework of his own enterprise;
- The income must be derived from the sale of certain food, food base material or feed produce;
- The taxpayer must maintain annual records concerning the income derived from such produce.

It follows from the above that those who pursue share cropping, fattening activities under contract, etc. have no choice in calculating their tax base, nor do persons who produce some other type of agricultural product (e.g., sowing seed, flowers, decorative plants, etc.).

The 500,000 forints of sales revenues cannot be divided among family members within a family farm. Itemized records must be kept even if part of the 500,000 forints in sales revenues was derived from an activity to which aggregate costs cannot be applied.

In case of a personal partnership, the 500,000 forint sales revenue limit must be applied per member.

In due regard to the peculiar characteristics implicit in agricultural production, the possibility of accounting for losses against income retroactively for a two-year period is

significant. Both corporate and personal income tax payers may deduct losses against profits for five years in advance.

Agricultural Transition Path Charted

*91CH0751A Budapest FIGYELO in Hungarian
4 Jul 91 p 3*

[Article by Dr. Bela Csendes under the rubric "Agriculture": "How Could Reduced Production Be Avoided?"]

[Text] International experience in general indicates increased agricultural production; discounting weather related causes, significant reductions in production cannot be seen in developed countries, and not even amid policies which proclaim reduced production as their goal. In our present situation, considering our level of development, a decline in production would amount to grave mistake. For this reason, I feel that a reduction in production should be avoided. Last year's and this year's decreased production is related in part to weather conditions, and in part to extraordinary events (the collapse of CEMA, the drastic reduction in domestic consumption, social and political uncertainties).

A change in the factors which prompted this situation will occur by necessity, the character of the causal factors is such that they cannot be maintained over a long period of time without shaking society in its foundations. From our standpoint, however, it is far more important to shed light on factors which must contribute to expanded production insofar as agriculture is concerned. I cannot undertake to provide a full listing of these factors by far, but I would, by all means, like to touch upon a few of these.

A fundamental change is needed in the attitude of producers so that they do not expect resolution of their concerns from the top down, instead they should seek the way out themselves. (This should not be understood as a suggestion to terminate the state's role in agriculture. It should mean a turnaround as compared to the previous conditions.) To accomplish this change, changes in ownership and in the way plants are organized should serve as definitive starting points.

Initiative, the mentality of the owner, the evolution of making property appreciate could render the production structure and cost management more rational. Diversity in plant organizational forms, more streamlined plant dimensions, different requirements for return, expectations, resolution of the conflict of interest between personal consumption and accumulation in the case of individually owned farms, and the care that characterizes work performed for one's own benefit will become features of farming which may catalyze fundamental changes aiming for competitiveness. Once this trend is catalyzed agricultural costs will exert less pressure on consumer prices and export costs (real prices and real expenses).

The evolving ownership and plant structure may render the production structure more modern and more flexible, may improve reactions to changes in the marketplace and may improve adaptation to qualitative requirements. (All this requires implements, capital and credit, and an appropriate market to supply such implements of course.)

At the same time, agricultural producers must be familiar with sales opportunities. Agricultural producers in developed countries conduct their production based on relatively predictable, more or less known sales opportunities. This cannot be otherwise in Hungary. (I once again stress that this must not mean an absolution from responding to market effects.)

A subsidy policy which has as its primary goal to improve the general conditions for production is warranted. (This includes the development of unfavorably situated regions, a change in the production structure, produce development, infrastructural improvement, education and training, advisory services.)

The primary recipients of subsidies should be farms whose owners pursue farming as their life long avocation, upon whom agricultural production is built. Restrictive monetary and fiscal policies must not mean that we do not support nascent, new, efficient forms, activities that have a perspective and which are efficient. For this reason, restrictions must also be selective in the agricultural economy. An all pervasive restriction leads nowhere! I regard the modernization of the tax system as the most important task in the framework of fiscal policies. The agricultural taxation system of developed countries may serve as an example to be followed. (In this regard, I view the tax system as the decisive factor, and not the reduction of budgetary revenues.)

An arsenal of social policy resources must be developed for persons engaged in agriculture. Not everyone can succeed in competition, many will be squeezed to the side. Not even cooperatives can be obligated to offer full employment. This applies also to cooperative members who own land. Accordingly, if they cannot be employed, they should leave, take out their land and provide for their own livelihood.

During the transitional period (three-five years most certainly) utilizing and setting in motion the buildings, machinery, implements and accumulated professional knowledge at cooperatives and state farms will be an important component of agricultural policy. This endeavor should establish the missing conditions in evolving private farms (in the form of leasing, provision of machinery, advice, the performance of integrating tasks on the basis of business considerations based on the equality and mutual interests of the various partners).

The aforementioned factors may substantially contribute to the achievement of transformation without reduced production and to the start of a well-founded expansion of agricultural production. All of this must be supported by the state—by economic diplomacy which acquires and expands markets.

The effective workings of interest groups is part of the successful functioning of a market economy. Organizing such interest groups and developing their fields of activities and methods must not be delayed. The transformation of today's interest groups, the modernization of their activities, and the evolution of new, diverse institutions must be supported.

First-Quarter Industry, Retail, Income Statistics

91CH0755A Budapest FIGYELO in Hungarian
27 Jun 91 p 5

[Unattributed article: "Balance of Payments Surplus"]

[Excerpt] [passage omitted] As reported by the Central Statistical Office in June, as of the end of April industrial production declined in all main industry branches, except in the electrical energy industry. Compared to the same period last year, base materials production dropped by 20.6 percent, and processing industry production declined by 16.8 percent. Energy production increased by 1.8 percent. Machine industry production declined by 26 percent, within that, communications and vacuum technology industry production dropped by 40 percent. The rate of decline in the instrumentation industry is 35 percent. Machine industry and electrical machine industry production amounts to only three-fourths of last year's production level, because these industries were struck hardest by disturbances in East European trade and by competition presented by imported goods.

The volume of retail sales counted at current prices increased by 16 percent during the first quarter. Discounting price increases, the real volume of goods purchased by individuals declined by 15 percent.

Hungarian National Bank data indicate that during the first four months, individual income derived from central sources increased by 23 percent. In the material branches, in business organizations employing more than 50 persons, gross average income amounted to 15,090 forints, 24.8-percent more than during the first quarter of 1990.

Employee Stockholder Program Debated

91CH0751D Budapest FIGYELO in Hungarian
27 Jun 91 p 4

[Article by K. G.: "The Employee Stockholder Program Is No Miracle Cure Either"]

[Text] Debate over the Employee Stockholder Program has not come to an end just because the Economic Cabinet adopted the basic principles of MRP [Employee Stockholder Program] at its session last week. There are many unresolved issues, the administration and the parliament have yet to approve the plan, while the trade unions are opposed to it.

Before the National Federation of Hungarian Trade Unions [MSZOSZ] called for a warning strike, the Finance Ministry prepared last May a report summarizing issues of principle that must be decided, and on the basis of which it will be possible to calculate the specific extent of benefits to be derived. In an agreement reached with MSZOSZ, administration negotiators agreed to convey to the cabinet the need expressed by trade unions to submit MRP legislation to parliament on an urgent basis, separate from legal provisions dealing with privatization. (Accordingly, the agreement does not yet pertain to the submission itself!)

On the other hand, the negotiators categorically rejected the free of charge distribution.

Signs indicate that from the standpoint of formality the MRP will run a course separate from the other legal provisions pertaining to privatization, nevertheless it is possible that due to the excessive burden on parliament, and due to the MRP's close relationship to the administration's privatization and taxation concepts, the MRP will be presented in the parliament only in the fall, in a "matured" form together with the rest of the legal provisions. This perhaps would not be bad at all, because although the slow developmental pace of privatization strategy raises concerns indeed, the separate handling of individual elements of the strategy could increase the chaos.

According to the Finance Ministry's proposal, the owners' concurrence would be a precondition for starting MRP in any given corporation, and more than half of the employees would have to favor the program and would have to commit itself to contribute its share from its own minimum resources specified by law. Further, a financial institution would have to lend money for the purchase of the stock and the company would have to guarantee repayment of such funds to the bank. Whether an MRP could be organized only in corporations in which the state is the majority stockholder or in any corporation, or only in stock corporations or also in limited liability corporations remain open questions, and it is not entirely clear whether the term "owner" means the future owner.

The Finance Ministry asks whether workers who contributed to the worth of enterprises should not receive a part of such enterprises free of charge, if evolving laws provide indemnification to some of the former owners, if church property is returned without compensation to the original owners, and as long as employees of cooperatives receive deeded land and property. The answer to these questions is in the negative because on the one hand the country's economic situation does not permit this to happen, while on the other hand international and Hungarian experience shows that property given away free of charge does not exert a stimulating effect on performance and does not encourage entrepreneurial conduct. In addition, giving away property free of charge would be contrary to the administration's economic policy program. Since the MRP could not function in the absence of pure market conditions a majority of the workers would not have sufficient assets and a majority of the corporations would not be able to comply with the requirements because of money market interest rates need calls for conditions somewhat short of market conditions.

According to the proposal, no preferential benefit should influence the price of the property share to be purchased, it nevertheless recommends that the interest rate to be applied to the purchase of stock should be adjusted to the level of interest charged in the framework of preferential privatization loans. Since all risk involved in providing

credit is borne by financial institutions, banks voluntarily agreeing to provide credit to finance the MRP should have an opportunity to enforce systems of guarantees consistent with their own business practices. Some experts recommend the establishment of a guarantee fund, but the source of such fund is still unclear because one could hardly count on a budgetary allocation. Thus it appears that only the well-to-do enterprises will provide MRP.

Industrial and Commercial Enterprises Ranked
91CH0755C Budapest FIGYELO (supplement)
in Hungarian 4 Jul 91 pp 33-35

[Significant indicators of the ten largest industrial and commercial enterprises ranking the 200 largest industrial and commercial enterprises: "The 200 Club, 1990: Facing the Mirror—In the Darkness"]

[Excerpts] [passage omitted]

Firms Which Earned the Largest Amount of Profits

Ranking	Name of Firm	Specialized Branch	Profits (in millions of forints)	
			1990	1989
1.	National Crude Oil and Gas Industry Trust	Crude oil and natural gas exploration	44,949	26,991
2.	Hungarian Electrical Works Trust	Electrical energy industry	21,317	8,504
3.	Hungarian Telecommunication Enterprise	Postal service and telecommunication	7,854	0
4.	Hungarian Aluminum Industry Trust	Aluminum foundry	3,305	5,315
5.	Tisza Chemical Combine	Synthetics, chemicals manufacturing	2,428	6,994
6.	Hungarian Aviation Enterprise	Air transportation	1,331	1,430
7.	Vegetable Oil and Laundry Detergent Manufacturing Enterprise	Vegetable oil industry	1,292	1,835
8.	Hungaria Hotel and Restaurant Enterprise	Commercial lodging sales	1,194	0
9.	Capital District Heating Works	District ["Remote"] heating and hot water services	1,162	523
10.	Agrimex Commercial Stock Corp. Inc.	Merchandise, technical products, foreign trade	1,000	422

Firms With Largest Volume of Assets

Ranking	Name of Firm	Specialized Branch	Assets (in millions of forints)	
			1990	1989
1.	Hungarian Electrical Works Trust	Electrical energy industry	168,866	162,648
2.	National Crude Oil and Gas Industry Trust	Crude oil and natural gas exploration	116,806	102,679
3.	Hungarian State Railroads	Public rail transportation	99,149	97,969
4.	Hungarian Telecommunication Enterprise	Postal service and telecommunication	60,558	0
5.	Budapest Transit Enterprise	Fixed path local transportation	35,405	35,061
6.	Duna Iron Works	Iron foundry	24,684	23,643
7.	Hungarian Aluminum Industry Trust	Aluminum foundry	23,949	21,063
8.	Trans Danubian Regional Water Works	Water supply, purification	18,964	17,339
9.	Hungarian Railroad Car and Machine Manufacturing	Vehicle manufacturing	—	—
10.	Capital Sewer Works	Water supply, sewage treatment	17,477	16,919

Largest Exporters

Ranking	Name of Firm	Specialized Branch	Exports (in millions of forints)	
			1990	1989
1.	Hungarian Aluminum Industry Trust	Aluminum foundry	31,227	25,829
2.	National Crude Oil and Gas Industry Trust	Crude oil and natural gas exploration	27,984	25,062
3.	Hungarian Aviation Enterprise	Air transportation	16,912	11,895
4.	Ikarus Body and Vehicle Works	Transportation vehicle manufacturing	—	—
5.	Duna Iron Works	Iron foundry	13,643	9,996

Largest Exporters (Continued)

Ranking	Name of Firm	Specialized Branch	Exports (in millions of forints)	
			1990	1989
6.	Hungarian State Railroads	Public rail transportation	13,378	10,995
7.	Tisza Chemical Combine	Synthetics, chemicals manufacturing	13,342	11,767
8.	Tungsram, Inc.	Vacuum technology	—	—
9.	Hungarian Railroad Car and Machine Manufacturing	Vehicle manufacturing	—	—
10.	Hungarocamion International Trucking Enterprise	Trucking	9,530	8,054

Largest Exporters—Payment in Convertible Currencies

Ranking	Name of firm	Specialized Branch	Exports (in millions of forints)	
			1990	1989
1.	Hungarian Aluminum Industry Trust	Aluminum foundry	27,683	21,141
2.	National Crude Oil and Gas Industry Trust	Crude oil and natural gas exploration	27,514	24,132
3.	Hungarian Aviation Enterprise	Air transportation	15,192	9,934
4.	Duna Iron Works	Iron foundry	13,553	9,769
5.	Tisza Chemical Combine	Synthetics, chemicals manufacturing	12,582	10,667
6.	Hungarocamion International Trucking Enterprise	Trucking	9,476	7,970
7.	Tungsram, Inc.	Vacuum technology	—	—
8.	Hungarian State Railroads	Public rail transportation	7,931	5,892
9.	Taurus Rubber Works	Rubber industry	6,163	5,974
10.	Borsod Chemical Combine	Synthetics, chemicals manufacturing	6,133	2,723

Largest Exporters—Payment in Rubles

Ranking	Name of Firm	Specialized Branch	Exports (in millions of forints)	
			1990	1989
1.	Ikarus Body and Vehicle Works	Transportation vehicle manufacturing	—	—
2.	Hungarian Railroad Car and Machine Manufacturing	Vehicle manufacturing	—	—
3.	Hungarian State Railroads	Public rail transportation	5,447	5,103
4.	Mogurt Motorized Vehicle Sales Enterprise	Merchandise, technical products, foreign trade	4,288	7,512
5.	Videoton Industries, Inc.	Communications, vacuum products mfg.	4,258	10,753
6.	Hungarian Aluminum Industry Trust	Aluminum foundry	3,543	4,688
7.	Chinoin Pharmaceuticals and Chemicals Mfg.	Pharmaceutical industry	2,900	2,990
8.	Egis Pharmaceuticals Mfg.	Pharmaceutical industry	2,826	2,819
9.	Hungarofruct Vegetable-Fruit Cooperative Foreign Trade Enterprise	Merchandise, technical products, foreign trade	2,526	2,865
10.	Tungsram, Inc.	Vacuum technology	—	—

Organizational Forms and Growth Indexes 1990 Over 1989 (in percent; 1989 = 100%)

Indexes	Enterprises	Business Organizations Formed as Legal Entities
Net revenues	111	229
Gross profits	107	47

Organizational Forms and Growth Indexes 1990 Over 1989 (in percent; 1989 = 100%) (Continued)

Indexes	Enterprises	Business Organizations Formed as Legal Entities
Profits as a percentage of revenues		
1990	4.6	0.8
1989	4.7	3.9
Number of employees	103	233
Total exports	105	165
Of this:		
Ruble	72	809
Convertible	120	251
Assets	115	222

Most Retail Businesses Still Owned by State

91CH0755B Budapest FIGYELO in Hungarian
27 Jun 91 p 30

[Article by Zsuzsa Borszeki: "From General Store to Supermarket"]

[Excerpt] [passage omitted] Thanks to the collapsed statistical system, only part of the quantitative change can be assessed. However, certain information may be obtained from external indicators. One can find out the number of firms that were newly established with foreign capital participation. Based on financial statements filed by the firms, some economic information exists about joint ventures in which the Hungarian partners are Hungarian state enterprises. On the other hand, neither the sales nor the capital share, nor the network or profit data of other firms is known.

Irrespective of how apparent the conquest of foreign capital is in downtown Budapest, the influx in the context of commerce as a whole is still insignificant. As of the end of June 1990 foreign investment in commerce did not amount to 2 percent of the merchants' own resources. Quite obviously, growth has occurred since then. According to our estimates, foreign investment has doubled, or perhaps increased by even greater proportions [passage omitted]. Considering all estimates, the foreign capital share in domestic commerce may have reached the 10-percent level by now.

The "nuggets" are the hospitality industry which includes hotels, retail stores, and domestic commercial services.

Interest in retail stores has increased to the most spectacular extent, but in this field too the ratio of foreign capital barely reached the 2-percent level as of the middle of 1990. Judging by the amount of capital invested, the hospitality industry proved to be most attractive. Although as compared to earlier data, the foreign capital share plummeted by 75 percent to a 4.3-percent level, statistical data reflects the cancellation of the HungarHotels joint enterprise rather than declining interest. (In the meantime privatization of HungarHotels has been taken over by the State Property Agency. One may hope that the AVU [State Property Agency] will soon complete this privatization

effort.) From a practical standpoint, in the domestic commercial services industry the activities of low capital commercial joint enterprises were based on the liberalization of operating capital for years. But even in this respect, the ratio of foreign capital as of last summer was barely higher than 6 percent.

While a total of only 316 new domestic commercial organizations were formed between 1980 and 1988, five times as many—1,522 to be exact—new ventures were started during in 1989 alone. This explosive growth occurred among firms organized as companies, and even within that group of firms the number of limited liability corporations multiplied most. As of the end of March 1990, 92 percent of the 1,822 business organizations formed as legal entities were limited liability corporations. (The number of commercial firms which did not operate as legal entities was negligible, it only amounted to one to three units. Retail chains operated by business firms also show a further increase in number, and the number of profit motivated shops [as published] increased at a particularly fast rate.)

Structural transformation in commerce takes place almost 50-percent faster than in the other sectors of the economy. The negative aspect of transformation is the fact that new organizations came about decisively as a result of splitting up previously existing organizations and by reorganizing activities that could be severed so as to become independent limited liability corporations. For this reason, the increase in the number of units active in the market was not accompanied by a substantial expansion of retail chains.

The private sector is carving out an increasingly larger part of the commercial "cake." Even though no accurate data exists, certain pointers regarding the share of private capital in commerce are available. In 1989, 43.9 percent of retail stores and 39 percent of hospitality industry units belonged to private merchants. At the national level about 40 percent of the shops was in private hands. At that point already, the proportion of private merchants was larger than that of state and cooperative business organizations in certain fields of business. (Clothing apparel: 68.2 percent, other specialized stores: 66.7 percent, pastry shops and espresso coffee houses: 53.3 percent.) The ratio of

private merchants was particularly high in the capital—it almost reached the 60-percent level.

The change in ownership proved to be particularly fast in the hospitality industry. In 1989 for example, the number of state or cooperative owned hospitality industry units decreased by 751, while 1,389 new privately owned restaurants were established. The organizational rearrangement also had an impact on employment. The workforce began to flow into the private sector. The private sector employment ratio reached the 40-percent level by then.

A likelihood that this process continues is just about all that can be said about the 1990-91 period. In 1990 the development of private commerce slowed down temporarily, and the number of new entrepreneurs decreased primarily in the industrial goods retail field. As of 30 June 1990 the National Association of Private Merchants had only 36,457 members. At this time, according to estimates, 60 percent of shops across the country are in private hands. But it should also be noted in this regard that most privately owned commercial outlets are small shops, and that an overwhelming part of the assets continues to be concentrated in large state enterprises even today.

One can only make guesses about the role played by preprivatization. While in 1990, foreign capital successfully raided the beach heads of commerce, despite the actual endeavors veiled by declared intentions, the advance of Hungarian private capital, which made fast progress earlier and acquired significant interests, was slowed down by the new preprivatization law whose goal it was to accomplish a change in ownership. This is a paradoxical aspect of government policies.

Despite the slow pace of the preprivatization program, privatization in commerce appears to take place faster than in other branches of the national economy. Representative sample surveys conducted by the Ministry of Industry and Commerce in the summer of 1990 and again in December 1990 (see table) indicate that state owned commercial enterprises invested one and a half times more of their assets into business organizations than industrial organizations in the average. The ratio of privatized assets as part of all assets owned by an average industrial enterprise (including construction industry enterprises) was also exceeded significantly by the ratio of assets invested, rented or leased to business organizations by commercial enterprises. At the same time, based on available data it may be said that the transformation of commerce has slowed down by the end of the year, while other industrial

branches (light industry and the construction industry) advanced.

The Fastest Snail

Last year the IKM [Ministry of Industry and Commerce] twice assessed the volume of assets invested into firms by enterprises established by the IKM or its legal predecessors. The second assessment also covered commercial enterprises established by local councils as well as subsidiaries, but business organizations which did not have state property or which were in the process of being liquidated were not included. The assessments show that in June 1990 commercial firms owned 37 percent of the assets, while this ratio increased to 45 percent by December. The representative sample was based on the data of 680 enterprises engaged in domestic commerce.

The Extent of Privatization

Designation	Ratio of Capital Invested in Firms Vis-A-Vis the Total Capital (in percent)	
	30 Jun 90	31 Dec 91
Industry	8.5	8.2
Construction industry	13.4	17.7
Domestic commerce	16.7	15.3
Average	9.7	9.7
Means of production, wholesale	18.4	14.7
Buying up, wholesale	2.2	11.6
Consumer goods, wholesale	15.8	18.4
Retail shops	10.0	12.4
Food retail	22.8	14.7
Clothing retail	9.2	9.9
Heating and building material retail	11.2	9.2
Mixed industrial goods retail	3.8	16.0
Pharmaceuticals retail	—	3.1
Hospitality industry	36.1	36.7
Domestic commercial services	—	0.7

Before overestimating the results achieved thus far in the privatization of commerce, one should clearly understand that the amount of capital invested into firms as of the end of 1990 amounts to only 15.3 percent of all assets in commerce. Accordingly, a substantial volume of assets has yet to be privatized.

Second, it should be stressed that the establishment of commercial firms is primarily the result of breaking up existing organizations and of making units of existing organizations independent, and that this process was frequently accompanied by negative phenomena. Who would not recall the "bare bones" left behind by so-called spontaneous privatization—the scandals in which the State Paper Cooperative Enterprise, the South Buda General Consumer and Marketing Cooperative], the already mentioned HungarHotels and the rest were involved? These instances taught some lessons, even though the noise might have been greater than it should have been, and despite the fact that commercial enterprises were spotlighted because they progressed faster with privatization than the industrial mammoth enterprises and therefore, had less practice in privatization than the industrial enterprises. And the lesson to be learned pertains not to the "selling out of

national assets below market value," or the "unwarranted enrichment of salvaged managers," even if ample examples exist for such situations. Aware of the dragged out preprivatization effort coordinated by AVU, we may say that the message provided by spontaneous privatization pertains far more to the need for conditions friendly to enterprising, to the indispensable openness, and to the equal and public evaluation of privatization proposals. This is because privatization which has been slowed down for political reasons retards the evolution of competitive conditions and may backfire on the antiinflationary program. Along with foreign capital, which may be estimated to amount to 10 percent at most, along with 15 percent of the commercial assets invested in commercial firms, and despite the private ownership of 60 percent of the shops, commerce remains under state and cooperative ownership to this date.

Solidarity Pledges Loyalty to President

*AU2507105691 Warsaw PAP in English 1712 GMT
22 Jul 91*

[Text] Warsaw, July 22—President Lech Walesa supported on Monday the Solidarity trade union's concept to have its own candidates running in the parliamentary elections due October 27.

The situation in Solidarity and the country, especially in the context of the upcoming election campaign, was discussed by the president with the union's leader Marian Krzaklewski at a working breakfast in the Belvedere Palace on Monday.

In the president's view, Solidarity should have its own representatives in the supreme legislative body to be able not only to protect the unionists' rights, but also participate in the construction of Polish democracy.

The Solidarity leader reiterated the union's will to take part in the process of democratic reforms initiated in August 1980. He voiced an opinion that in the present political situation in which the parliament is the outcome of contract elections, the president enjoys nationwide approval confirmed by the December presidential elections. An infringement of the president's authority impacts the national interest.

The president pointed to the need of more frequent meetings especially now, on the eve of the election campaign.

Presidential, Government Prerogatives Discussed

*91EP0573A Warsaw RZECZPOSPOLITA in Polish
19 Jun 91 p 3*

[Article by Andrzej Stelmachowski, speaker of the Senate: "President—Parliament—Government"]

[Text] The last crisis, perhaps not so much a "constitutional crisis" as friction between the Office of the President and the Sejm about electoral law and about the proposal of special regulations for the government (authorization to issue "decrees") alerts us to the need for developing the basic structural elements of the Third Republic. Not all actors on the political scene in Poland are aware of the fact that it is specifically now, amid the frictions and tensions, that future constitutional order is being shaped.

Constitutional order is not just a ceremoniously adopted constitution; it is also constitutional practices, the practices of the highest state organs, and finally, the "style" of operation, the method of reaching political solutions. It may easily happen that the future parliament will not have complete freedom in shaping the constitution because its nucleus will already have been established by constitutional practice. As we know, Great Britain gets along without any written and adopted constitution, depending solely on fixed constitutional practice. In Poland, the constitutional myth, created by the Constitution of the Third of May, 1791, is so strong that it is impossible to get

along without a ceremoniously adopted constitution, and we must recognize that the battle over its form has already begun.

Now we are "altering" that part of the constitution that regulates the mutual relations of the highest state authorities, and more precisely, the mutual relations of the legislative and executive authorities (the form of judicial authority has already been settled, and that, relatively painlessly).

Personally, I cannot deny a sense of astonishment, observing the moves of the deciding agents on the political chessboard. The Sejm, fearing that the president intends to create a system of authoritarian administration, is undertaking opposition actions with respect to the president's moves, energetically cutting off the branch on which it sits, and the president, in opposing actions, actually moves toward strengthening the role of the Sejm (I am not mentioning the Senate because it remains on the sidelines to some extent, clearly not wanting to join in the game).

What is the basis for this diagnosis? This: The Sejm, stubbornly moving toward adopting a proportional electoral law, is opening the way for rivalry among smaller and smaller parties, which threatens to weaken both the Sejm and the government dependent on it. The president, in turn, aiming toward an electoral law that relinquishes a full "reflection" of electoral mood, would prefer larger and stronger political parties, which would lead to creating a stronger government and would, at the same time, weaken the position of the president.

Still, the Sejm is acting rationally. Simply, the organization of political life in our country is in its infancy. Most of the citizens have an involuntary aversion to political parties, and in this unique "political desert," ambitious people appear and gather their own supporters. This is why there is the great number of "couch" political parties and why exotic parties such as the Party of the Friends of Beer enjoy a certain popularity. This is why there is a desire to be open to the public in the hope that the "will of the people" will be respected, and to that "bit of luck" that would enable some parties to gain wider support.

Against this background, one must, however, take into account the fact that we are confronted by a fundamental choice: If the Sejm is to reflect the political dissolution of society, then the government must be more strongly joined to the administration of the president than to the parliament. Constitutional changes will have to aim toward making government dependent mainly on the president. The president would appoint a prime minister, and at his suggestion, ministers without the need of confirmation by parliament (perhaps as in the United States, only with the approval of the Senate, which we know will be elected by majority vote). Obviously, the Sejm could bring a no-confidence vote, but with the simultaneous nomination of its own prime minister (similarly to the process in the FRG, the so-called positive vote of no confidence).

A weak Sejm producing weak governments would be a direct road to repeating the year 1926 and to authoritarian

government. The moves of President Walesa indicate that he does not want this kind of solution.

The proposal of special powers for the government, particularly in the sphere of economics, is presenting no less serious a problem. The essence of the problem does not at all pertain only to improper activity of the Sejm (although in recent months, the Sejm has done much to deserve a bad reputation). The fact is that we have inherited a specific legislative practice from the Communist governments. Specifically, the guiding political principles were established by the Central Committee of the Polish United Workers Party, and the Sejm (at the suggestion of the government as a rule) adopted executive acts with respect to those political principles. This is a practice precisely opposite to the practice prevalent in many western countries. For example, in France, principles of economic policy are adopted (as the resolution on "controlling agriculture" was adopted in de Gaulle's time), and quite broad powers are granted to the president or the government for implementing them. Meanwhile, in our country, a paradoxical situation has developed.

In October 1989, the government adopted principles of economic policy that were published in the press, and parliament discussed them, but did not formally confirm them (at that time legislation on economic planning was still in force, but economic plans were a form of parliamentary approval of government plans, and at any rate, the system of planning was soon eliminated).

For 1991, the government presented to the Senate a program of economic policy together with a budget, and the Senate took a position in adopting it on 11 January 1991, proposing fundamental changes:

- 1) Fighting recession and development of production as a basic goal, and
- 2) Adopting concrete principles of agricultural policy (the government completely bypassed the matter of agriculture).

Not willing to accept the position of the Senate, the Sejm proposed a different resolution, which the Senate rejected in turn, maintaining its position as of 11 January 1991. The matter was returned to the Sejm, which criticized the proposal of the government and demanded a new economic policy program. The government presented a comprehensive document, then the whole affair "turned into soapsuds." Almost half of 1991 passed in this way with no confirmed economic program; instead, the government sends pieces of projected legislation and demands rapid adoption. Obviously, such a state of affairs leads to chaos and disorientation.

Plenipotentiary rights for the government, if granted in this situation, would mean a blind surrender by the parliament of its competence, and this in a situation in which the economic policy of the government is giving rise to growing public opposition.

This is the basis for a radical turn around in legislative practice. The basic directions of government policy must assume the form of law, and its implementation should

follow by way of executive orders pertaining to authorization contained in this guiding law. Otherwise we will drift, pushed on one side by strikes and demonstrations of workers and farmers, on another, by demands of foreign banks, and on the third, by pressures of interests of various groups. A disoriented parliament will have to adopt resolutions presented to it with no orientation as to the basic directions of government policy or, what is worse, adopt laws aimed at realizing principles of economic policy that are not acceptable. In the long run, this is threatening to the situation of the country and may lead to an outbreak of public displeasure.

Call to Privatization by Conservative-Libertarians 91EP0534A Warsaw ZYCIE WARSZAWY in Polish 14 May 91 p 3

[Article by Zbigniew Siwik: "The Wall Only on the Right?"]

[Text] Everything to privatization, and as soon as possible, demand members of the Conservative-Libertarian Party [PKL], a new group on the Polish political scene that has emerged as a result of the split in the Union for Real Politics [UPR] in November of 1990. "Janusz could be an excellent press spokesman for our party, or the most renowned senator in the entire parliament, but he is not suitable as a party leader, because he holds it up to ridicule in the eyes of the electorate and our opponents," says Aureli Marczyk, member of the PKL leadership, and he recalls such childish—according to him—public statements by Janusz Korwin-Mikke as "every real man should carry a real pistol," or "a woman's place is in the kitchen, not at the ballot box."

"We want to be a serious, credible party that places its main emphasis on an economic program, not on politicking," insists Robert Snopkiewicz, PKL press spokesman.

Opposition to direction of the party of "Warsaw liberals" by Korwin-Mikke was established by Aleksander Jedraszczyk, a lecturer in economics at the Catholic University of Lublin, in the hope that the majority of his party colleagues would support the demand for the resignation of the controversial leader. But Janusz Korwin-Mikke's strong personality tipped the scales, and establishing the new PKL became a necessity for the minority, whose demand was rejected at the UPR congress.

The arduous building of the party from its foundations began. A number of intellectual leaders and several private entrepreneurs assembled around them decided to draw to themselves as many serious businessmen as possible from known firms (e.g., Westa, Comindex, or the plants located in Lomianky, etc.), and to unite with a clear, considered economic and social program the circle of doctors and lawyers. Before the breakup, the union numbered about 6,000 members. The PKL believes that six months after the breakup it has 2,000 to 3,000 members and numerous sympathizers, but these may still be overstated figures.

"If our party's sympathizers and members—private businessmen—can draw into Poland and take advantage of lines of credit in the amount of half a billion dollars, then

that will mean that we are a serious political party, not a drawing room society," says Aleksander Jedraszczyk self-critically; President Walesa has invited him to a planned conference of the most eminent Polish economists. This scholar was for many years an "ordinary" bookkeeper, and he views this experience as a more important "prop" in creating the party's economic program than his university experience.

"The clientele of our party is mainly private entrepreneurs, doctors, and lawyers," says Jedraszczyk, and complains, "But it is Polish businessmen (besides a few who are leaders of our party) in whom it is extremely difficult to instill any political concept other than the conviction that they must make money. The potential large electorate of our party is the mass of still passive, politically unaware businessmen, small and average, often former black marketeers, craftsmen, tradesmen, and small manufacturers who, for now, unfortunately, prefer to spend money on the ladies in Mragow than to build the party financially, which should be not only their political lobby but also a bridge for the economy's move to a system in which they could finally transform their little deals into real, honest, big business."

Slawomir Jan Jaruga, PKL chairman, started with a little money and has already arrived at a lot. He is thinking about buying up press titles and hospital wards; he is funding artificial kidneys and effecting a meeting of his party's wealthiest businessmen with President Walesa.

"There is a chance for acceleration—frankly, for an economic revolution," he said after the meeting. "We presented several important matters to the president: first, the issue of privatization of banks (because the fate of this country depends on finance); second, the need to accelerate privatization of the entire economy; third, separating the State Treasury from the budget in order to feed from the Treasury the sectors of the economy that could become a locomotive; finally, we postulated tax stabilization—a linear form of taxation and tax amnesty for those who during the time of communism conducted normal business but could not pay taxes because their activity, from the point of view of the absurd economic law of that era, was illegal (e.g., exchanging currency). Our point is to set a great deal of capital in motion and introduce into the economy money that is not working now."

As befits the leader of a political party, Jaruga ended his statement in a political tone: "The Sejm changes everything slowly. We do not have time for that. Business cannot wait. If we do not change this quickly, the country is in danger of economic collapse."

A month and a half later, the budget, as a result of lower than anticipated revenues from taxes on enterprises that "slept" in the shell of the old economy, is undergoing collapse.

The economic radicalism of the conservative libertarians has its consequences in their political postulates. They demand renunciation or profound modification of the entire program named for Balcerowicz, and some are coming out openly with calls for the deputy prime minister's

resignation from his post. Because—they argue—Prime Minister Bielecki supports the program and parliament has approved it—according to them, a new economic program through presidential decree should be introduced. They demand the establishment (until democratic parliamentary elections take place and a new government is formed) of a President's Economic Council, which would execute this program on the basis of decrees and take on management of three economic departments: the central department, the treasury ministry, and the economic ministry.

On the party's right, notions of a presidential system are turning up, and among some members an inclination toward some "enlightened" dictatorship. "One can do a great deal for Poles but not a lot with Poles," quotes Aureli Marczuk (in another time a perfectionistic analyst at CUP [Central Planning Administration], relentlessly predicting the collapse of the economy), and privately, distancing himself from party philosophy, he describes himself as a follower of General Pinochet of Chile, "because he brought about economic success."

The longings of some PKL members for a dictatorship, for the time, are not threatening, either to the political system or even to the formation of the core of the party's political platform. It should be added that the party has the character of a discussion club that organizes its practical activity around specific problems for a strictly defined time, then somehow "washes itself away" again.

At Friday dinners at the Holiday Inn Hotel (meetings always at the hour for a late lunch, beef stroganoff casserole, wine), they show up punctually and discuss; always invited: attorney Jan Olszewski and Professor Stefan Kurowski. The attorney (thinking perhaps about his "own" possible government in the farther or nearer future) supports the radicalism of the libertarian debaters; the professor, calling himself an advocate of "milder" libertarianism, often opposes radicalism and the "economistic soullessness"—as he says—of proposed solutions, emphasizing that "only now does he understand why he belongs to the Center Accord [PC], not to the conservative libertarians."

Does this mean that the coming together of economic attitudes that is clearly being outlined during these Friday dinners will bear no fruit in any electoral alliance?

"Until recently, it seemed to me that the Center Accord was evolving in a center-right direction, but today we judge that it is becoming more similar to the social democratic right wing in wanting to adopt part of Solidarity's electorate," says Jedraszczyk. "The left has become active in the accord. Because of this, we will probably not be in an electoral alliance with the PC."

It is interesting that the conservative libertarians distance themselves even more vehemently from the government's Liberal-Democratic Congress. They say that Bielecki or Glapinski, in accepting the Balcerowicz program, departed from the principles of liberalism because of the lack of expert knowledge and inadequate recognition of the political intentions of Mazowiecki's group. The "Gdansk" liberals are not as they seem: They have halted privatization; they have ratified a budget that expands the state's

role in redistribution of the national product; they have approved an income tax on savings and dividends. This is an excellent complement to the counterproductive Balcerowicz program, but it is not liberalism, they charge.

"There was a time when we entertained illusions that we would cooperate with the ZChN [Christian-National Union]. But how can one cooperate with people who generally ignore the economy as the refuse of worldly life," laments Jedraszczyk caustically, a Catholic like many other liberal from that group, but far from clericalism.

Naturally, our way is not with the entire post-PZPR [Polish United Workers Party] left, Labor Solidarity, or even the anticommunist Democratic Union and the Forum of the Democratic Right, they say.

Thus, it appears that the PKL will go to the autumn elections all alone, perhaps in some local alliances with "Lodz" liberals (also a new group) or rightist candidates of the PC. But these liberals are not upset with their isolation, uttering their favorite maxim: "Conservative libertarians become 'party members' only during elections; in daily life they are simply businessmen, lawyers, doctors, faithful to the principles of liberalism, people who respect property, honor, truth, honesty, faith, and the law."

POLITYKA Weekly News Roundup: 30 Jun-6 Jul 91
91EP0592A Warsaw *POLITYKA* in Polish No 27,
6 Jul 91 p 2

[Excerpts]

National News

[passage omitted] President Lech Walesa held a series of meetings in various communities. He began them in Gdansk in front of St. Brygida Church following the Sunday Mass on 23 June 1991. In an improvised vote among more than 1,000 persons, a majority supported a possible decision by the president to dissolve the Sejm. "I want to show Mr. Geremek and the others that they are wrong, that if I want I will get society's permission democratically to dissolve the Sejm. Deputies, Walesa did not prepare these people, look, how many of these people have had enough of your gabbing, are for dissolving the Sejm," the president said in commenting on the results of the plebiscite. At a meeting with Solidarity activists at the university, the president said: "I am increasingly convinced that the old system is actually defending itself and has gained a few supporters from us. And they have now blocked themselves in. I do not know whether in general earlier there was not some kind of agreement. Various people have said to me: Have they not reached an agreement? What is happening now increasingly looks to me like an agreement behind my back." The president emphasized the need for settling accounts: "All the swindlers, all the racketeers will be held to account, even if it takes 20 years if there is a line—we will let anyone who has deluded us go in his socks. I am ready to come with a division if the mafia proves too strong." At a meeting with women at the Belweder, L. Walesa said: "I have unofficially proposed a woman for vice president. I am waiting for a Polish woman." At this meeting, there was a sharp exchange.

Teresa Tulska [Pro Femina] said: "Quit baiting people and spreading hate. Your actions are limited to seeking the guilty. You discredit your opponents and supporters." President: "I have been elected by the people and I know what is happening. I am of the people and I want justice. I appeal to you not to do this any more. And to pay attention to those men who are provoking it, who are going hand in hand. But you will never see them because something else is to your advantage."

Tadeusz Mazowiecki, leader of the Democratic Union [UD], criticized the president's speech at a demonstration in front of St. Brygida: "Demeaning another state body, the Sejm, to which he pledged allegiance, does not serve the prestige and honor of the president." In Mazowiecki's opinion, Walesa stands in front of an important choice: Either he will continue to build a democratic system, or he will exceed the bounds of democracy and enter upon the path of dictatorship. Mazowiecki expressed the hope that the president will choose the first variant. [passage omitted]

At a press conference in Miedzyzdroje during the opening of the Amber Baltic hotel, Zbigniew Brzezinski, in response to a question whether Poland is threatened by a dictatorship: "It seems to me that Poland is more threatened by disorder, squabbling, and a lack of a sense of community." He also commented on the USSR: "At one time, everyone was frightened by the Soviets. That was an argument of the communist regime against those who wanted to change the situation in Poland. Today one cannot fall into the opposite extreme. In the long run, the Russian state, if the USSR were to disintegrate, will be a very powerful state."

The Sejm Commission for Constitutional Responsibility freed M.F. Rakowski and M. Wilczek of the accusations that would have justified placing them before the Constitutional Tribunal or the Tribunal of State. The matter concerned the liquidation of the Gdansk shipyards and causing the budget deficit during the first half of 1989.

A conference of the editors in chief of the Catholic press met in Lodz. Bishop Adam Lepa presided. The founding group of the Catholic Association of Journalists was formed. It consists of Father Ireneusz Skubis, Father Antoni Pominski, Slawomir Siwek (a minister in the President's Chancellery), Marek Budziarek, Karol Klauza, Maciej Letowski, and Piotr Nitecki.

A Sejm commission took up the matter of the car purchased for the president. Deputy J. Ambroziak, who served as the head of the Office of the Council of Ministers under T. Mazowiecki, said: "A. Drzycimski, the press spokesman for the president of the Republic of Poland, lied when he said that the Tadeusz Mazowiecki government bought the luxury armored Mercedes for Lech Walesa for \$350,000." Ambroziak declared that as head of the Office of the Council of Ministers he issued an order prohibiting the purchase of such expensive cars for the government. In turn, Minister H. Majewski of the Ministry of Internal Affairs said that the car was bought in order to ensure the security of the Pope during his recent pilgrimage to Poland.

"How To Do a Weekly for Free." KURIER POLSKI describes the difficulties of the weekly RAZEM. The Confederation for an Independent Poland bought it at an auction for 400 million zlotys. It paid a deposit of 10 percent. The purchase contract, however, was not written since the journalist cooperative of RAZEM questioned the results of the auction in court, and the court halted the transaction. As a result the Confederation for an Independent Poland has a weekly, prints it on better paper than before, employs 25 individuals, including 21 journalists, and raised wages and honoraria. The magazine has about a 40 percent rate of return; the five issues published in April and May cost the Liquidation Commission of the Workers' Publishing Cooperative 900 million zlotys. At its last meeting, the Commission decided to suspend publication of the weekly.

The division of the country into regions covering several voivodships each has been supported by 81 percent of the 471 gminas that participated in the survey and 31 of the 34 voivods surveyed. The restoration of the powiats was supported, in turn, by 65 percent of the gminas and 13 voivodes.

The communique from the conference of the Polish Episcopate (21 and 22 June 1991) says, among other things: "The bishops also examined some harmful phenomena occurring in the social mass media. For some time, there has been concern about contents in them which clearly parody the truths of the faith and moral norms. They are received by many of the faithful as blasphemous behavior. These phenomena cannot be reconciled with the elementary culture of community life, with the basic rights of human beings, and with true tolerance. The faithful have a right and a duty to demand respect for their religious convictions in all the social mass media."

Beginning 1 July 1991, the lowest wage will be 632,000 zlotys.

The Primate's Secretariat announced that Jozef Glemp, the Polish primate, received Roman Bartoszcze, the president of the Polish Peasant Party [PSL], and Wieslaw Kornasiewicz, an editor. During the meeting the significance of Christian inspiration for the peasant movement was emphasized.

The Extraordinary Congress of the Polish Peasant Party gathered more than 520 delegates and about 200 guests. Dr. Jozef Zych (age 53), a lawyer, was elected chairman, and Waldemar Pawlak (age 32), a farmer, was elected president. The congress adopted an "Ideological Declaration" defining the position of the Polish Peasant Party on the main questions of the political and economic life of the country. It retained the provisions of the "triple alliance" with agricultural Solidarity and the Polish Peasant Party Solidarity [PSL-"S"]. Although Roman Bartoszcze had previously announced he would attend the congress, he did not. (See page 4.)

The Kazimierz Kelles-Krauze Foundation has announced the publication of the quarterly MYSL SOCJAL-DEMOKRATYCZNA. It is to be a theoretical-policy journal, a forum for discussion on leftist practice and

theory, especially of the social democratic political movements in Poland and around the world. Prof. Jerzy J. Wiatr is the editor in chief.

Who's News

Ernest Bryll (age 56), a poet and dramatist, employed by TYGODNIK SOLIDARNOSC, has been named ambassador of the Republic of Poland to Ireland. The prime minister has recalled Aleksander Herzog, first deputy Prosecutor General, at the request of the minister. [passage omitted]

Opinions

Prof. Dr. Ewa Letowska, ombudsman for citizens' rights:

(Interviewed by Wanda Falkowska, GAZETA SWIATECZNA, 29-30 June 1991)

[Letowska] The administration, judging by its methods and means for cooperating with the ombudsman, is probably in a state of collapse, from top to bottom.

Everyone believed too easily that to want is to be able and that everything will fall into place when people with a new orientation move into the offices. Unfortunately, good will and a mouth full of phrases does not suffice. Good administration is professional knowledge, the ability to foresee the results of one's own actions, especially the unexpected and unwanted ones. [It is] Common sense and good manners, wise use of the law, a desire and ability to work with people.

Meanwhile, disorder reigns, indifference, haste, ignorance, at times even fear of responsibility. God, what will come of all this? I get responses from ministers like this: Jesus Maria, let us alone! I get letters from local authorities: "We have been elected by society, we are fighting with communism, we will do what we want."

Jacek Maziarski, chairman of the Main Board of the Center Accord [PC]:

(Interviewed by Henryk Kubicki, TRYBUNA OPOLSKA, 29-30 June 1991)

[Kubicki] Does the Center Accord want to be the presidential party?

[Maziarski] Someone has to be in the Belweder. Our opponents are furious, but why are we there? Because it is the group in whom Walesa has placed his trust. Not because we are the presidential party, for we are not. Walesa emphasizes that, and attempts to keep an equal distance from the various parties. He chose people of whose loyalty and decency he was convinced. He knew they would not leak things, not betray him. I assume that if Lech or Jaroslaw Kaczynski were liberal or peasant they would still be in the Belweder. The choice had no tie with party color.

[passage omitted]

Marek Jurek, deputy on relations between the Christian National Union [ZChN] and the Center Accord [PC]:

(From uncertified comments during a meeting with residents of Wroclaw from GAZETA ROBOTNICZA, 26 June 1991)

"Our relations are close. Based on good will. I have had good experiences. Many of our friends from the Center Accord support a pre-election coalition. From what I know Kaczynski and Maziariski do not want such a coalition. It is a hybrid organization. It cites Christian teaching, but they developed a position condemning child-killing only with great difficulty."

POLITYKA Weekly News Roundup: 23-29 Jun 91

91EP0590A Warsaw *POLITYKA* in Polish No 26, 29 Jun 91 p 2

[Excerpts]

National News

[passage omitted] In a lengthy television speech, Prime Minister Jan K. Bielecki discussed the government's program. He said, among other things, that Poland now needs parliamentary elections as soon as possible and that the date announced for the fall cannot be delayed.

- The program of general privatization has as one of its principal goals, in addition to giving ownership to the citizens, improving the management of the enterprises. We will strengthen the position of the manager.
- We are proposing a program of accelerated privatization for the small enterprises. It will be conducted using simplified procedures.
- Keeping the current wage fund at current levels and reducing employment will permit a real increase in wages and will mark a step away from the tax on excessive wage increases.
- Among the mistakes the government has committed, the prime minister listed its delayed recognition of the power of the alliance of the state banks and the state enterprises in maintaining the old economic system. We have begun a radical reform of banking.

All the stocks declined; this had not happened previously on our market. On 18 June 1991, Tonsil declined by 6,500 zlotys; Prochnik by 5,000 zlotys; Krosno by 6,000 zlotys; Exbud by 15,000 zlotys; and Kabla by 8,000 zlotys. In the opinion of the market president (we quote from GAZETA WYBORCZA), the decline was due, among other things, to the fact that some stock owners are selling them to have money for their vacations.

The university senate has decided that Warsaw University will retain its name and not return to the prewar name of J. Pilsudski Warsaw University.

A group of anarchists, describing itself and the "Cell of Situationists," stormed the Belweder on Wednesday of last week: The courtyard was strewn with beer cans, the fence was wrapped in film, yellow paint was poured all over. (Minister J. Kaczynski's Lancia was also spattered with paint.) The police did not intervene during this blizzard, but later 23 individuals were taken into custody, who were released after interrogation. [passage omitted]

The institution of the pillory is to be renewed in the Chojny district of Lodz. The district council, disturbed at the ineptitude of the police in the face of thefts, made the decision.

The manager of the fertilizer factory in Wloclawek complained: How is the factory to be competitive if it must pay 500 million zlotys per day, which forces it to a profit level of 25 percent, when 10 percent would be large. It must charge high prices. It exports to the USSR through Austria; otherwise, it would not be paid. Finally, it pays the dividends also on the plant apartments, which no one wants, and in which the rents (set above) cover only 8 percent of the costs, although the richest man in Wloclawek lives in one of them. (From the meeting of the plant managers with the presidents of the Central Planning Office.) (GAZETA WYBORCZA)

A new election record: In Krasnopol in Suwalki Voivodship, not a single voter, including the two candidates and the election commission members, turned out to vote in the supplementary elections to the local self-government. In the Prostko gmina, where elections were also held, of 212 eligible voters, only seven voted. [passage omitted]

The losses caused by the Soviet forces stationed in Poland amount to more than 53 trillion zlotys. According to information obtained by ZYCIE WARSZAWY, the damages to the state forests are estimated at 27,785 trillion zlotys; the soil and water pollution by oil-based products is estimated at 25 trillion zlotys.

The costs of night life in Warsaw are discussed in GAZETA WYBORCZA: A night with a girl in the hotel Marriott (only for hotel guests)—about 2.5 million zlotys (\$250); in the hotel Victoria, about 1 million. A lady from in front of the hotels Polonia and Metropol takes 400,000 to 600,000 zlotys (the room is in a nearby building). Russian women in Warsaw hotels charge competitive prices; discussions start at 500,000 zlotys. [passage omitted]

On 1 July 1991 telephones will cost more. The monthly charge for service will increase to 30,000 zlotys from 8,000. As part of this charge, the customer has the right to 20 free local calls. Also, the cost of the so-called single telephone impulse will increase to 600 zlotys from 300.

A survey from the Center for Research on Public Opinion: On the list of the 27 most popular individuals, Cardinal Jozef Glemp retains first place, with a rating of 65 percent. In March, his rating was 70 percent. Jacek Kuron has gained second place, with 56 percent. Minister Krzysztof Skubiszewski occupies third place, 55 percent. The rating of Adam Michnik improved to 47 percent in June; he rated 44 percent in March. The rating of Tadeusz Mazowiecki improved to 45 percent from 43 percent. The rating for Prime Minister Jan K. Bielecki declined to 43 percent in June from 47 percent in March. Walesa's rating declined to 38 percent from 52 percent.

The incident with Roman Bartoszcze, party president, revealed the sharpness of the conflict at the top of the Polish Peasant Party (PSL). The day after the president

declared that he intends to call a competing council prior to the congress planned for 29 June, the members of the PSL Congress Commission who were meeting demanded that he leave his office, after which it was sealed. The president in a comment for television declared that he was led out by force and that former members of the ZSL [United Peasant Party] did it. Other PSL activists denied this version and said that R. Bartoszcze turned over the keys on his own accord.

Still another report from GAZETA WYBORCZA: The newest car of President Lech Walesa is a Mercedes that has a roof and undercarriage of titanium, windows several centimeters thick, fire-fighting equipment, and can reach a speed of up to 260 km/hr. It was bought in Germany for about \$330,000 two weeks before the visit of Pope John Paul II, who used the car twice.

The Ministry of Health is protesting the inaccurate report on the number of abortions performed in Poland. The figure has declined in recent years: In 1985 more than 135,500 abortions were performed; in 1987, more than 122,500; in 1990, 59,400. Even assuming these figures are understated (in the Ministry it is estimated that there were three times as many operations), still it is far less than the claim that there were about 600,000 abortions annually in Poland. [passage omitted]

Opinions

Prof. Dr. Bronislaw Geremek, chairman of the Parliamentary Club of the Democratic Union [KPUD]:

(Interviewed by Waldemar Chudziak, SLOWO POLSKIE, 15-16 June 1991)

[Chudziak] Do think it is possible a government will be formed by a coalition of parties descended from Solidarity? In a word: Is it possible for ethos to lose to disenchantment in these elections?

[Geremek] I reject that possibility. We have already done so much that it is unthinkable, it seems to me, for demagogic forces opposed to the reform program to gain the upper hand. We must see the threat, but precisely in order to successfully oppose it.

Adam Michnik, editor in chief of GAZETA WYBORCZA:

(From the transcript of a meeting at the Western Institute from GAZETA POZNANSKA 7 June 1991)

"Decommunization, the word is a master key. If someone has committed a crime, he must take responsibility for it. But if the leader of the Christian National Union [ZChN] and the chief promoter of these slogans is the minister of justice and the general prosecutor, why is he not settling accounts with them? I am preventing him? You are? I pressed on the communists and Jaruzelski personally when that was still not the fashion. I was in prison; I was in their hand, and I spoke straight to their faces. But I am opposed to the mysticism of revenge. Am I to go from apartment to apartment and confiscate their color television sets and rugs from the PZPR [Polish United Workers Party] activists?... My model is Pilsudski, who used a different way than the 'thick line' in 1920. Look who led his army.

Cardinal Wyszynski is a model. He did not permit the condemnation of the so-called patriotic priests, who in their time were on the side of the authorities and against him."

Miroslaw Chojecki, cofounder of Video-Kontakt in Paris:

(Interviewed by Barbara Madajczyk-Krasowska, DZIENNIK BALTYSKI, 7 June 1991)

[Chojecki] When Andrzej Drawicz was named president of the Radio and Television Committee, we signed a contract to cooperate with Polish Television. And our films were broadcast on the second television program. When Marian Terlecki, my friend and coworker, became head, he threw us out a few days after taking over.

[Madajczyk-Krasowska] Why? Did he fear the competition?

[Chojecki] I do not know and do not want to make a comment on it. In this situation, we decided that the only way is to form our own television system and now we are promoting the idea of an independent television and have made such an offer.

[Box, p 2]

POLITYKA More Expensive

Not without regrets, we must inform our readers that beginning next week POLITYKA will cost 3,000 zlotys a copy. That is a price increase of 20 percent.

The increase is caused by an increase in the cost of paper and printing. During the five months of 1991, the cost of printing 16 pages of POLITYKA has increased by 68 percent. On the other hand, the eight-column supplements cost 90 percent more. The cost of paper depending on the factory has increased from 23 to 25 percent. By way of explanation, we must add that the costs of paper and printing make up about 70 percent of the whole cost of publishing POLITYKA.

In raising the price of our paper—for which we apologize—we are striving to provide our readers with an increasingly better product. Among other things, we have begun to shift to photographic typesetting, which will significantly improve the quality of the printing, and to multiply the supplements (today POLITYKA-TURYSTYKA), which increase the size of the paper and expand the range of subjects we touch upon.

POLITYKA Weekly News Roundup: 16-22 Jun 91

91EP0588A Warsaw POLITYKA in Polish No 25, 22 Jun 91 p 2

[Excerpts]

National News

[passage omitted] TRYBUNA (14 June 1991) presented the geography of the voting on the election law questioned by the president under the headline "Who Loves the President?," included a complete list of who voted against the president, and gave this conclusion: "They were seven votes short of rejecting the presidential veto. That was the

same number of members of the Parliamentary Club of the Democratic Left (PKLD) who voted against the club's position established earlier." GAZETA WYBORCZA reported extensively in "How Did They Vote?" (14 June 1991): There were 39 votes of deputies from the Parliamentary Club of the Democratic Union and five from the Citizens' Parliamentary Club (OKP) [the Liberal-Democratic Circle, Jacek Merkel, and Marian Kowal]; the Circle of Independent Deputies, Stanislaw Dabrowski, and Teresa Zalewska, and Jacek Szymanderski from the circle of NSZZ [independent, self-governing trade union] of Individual Farmers, and the Polish Peasant Party Solidarity (PSL "S"), five from Labor Solidarity, 30 from the Polish Social Democratic Union (PUS) (Tadeusz Fiszbach, the leader of the group, supported the presidential veto), 78 from the Parliamentary Club of the Democratic Left (PKLD), 58 from the Polish Peasant Party (PSL), 13 from the Democratic Party (SD), one from Party X, six from the Christian Social Union (UCHS), 13 not associated with any club, four from the Military Deputies' Club, four from the Club of Independent Deputies, one from the Polish Peasant Party of Mikolajczyk. Andrzej Wiczorkiewicz of the Parliamentary Club of the Democratic Left (PKLD) turned in an invalid vote (TRYBUNA writes: "for unknown reasons.") One deputy of the Parliamentary Club of the Democratic Union, Artur Balazs, voted against the election law.

The Presidium of the Solidarity National Commission was received by Lech Walesa, and a day later it received Prime Minister J.K. Bielecki. The president proposed that a body composed of representatives of the president, the government, and the trade unions be formed under the Office of the President. It would watch over the Polish reforms. When the proverbial ax was mentioned, L. Walesa said: "That is my dilemma. Break the law or not. Increasing numbers of people say I should break it and that decrees are essential." The prime minister answered the 15 questions given to him by the trade unionists. He said, among other things, that the budget deficit had increased by 8 trillion zlotys, that 600 state enterprises had lost their creditworthiness, and that the level of production had fallen by 15 percent. The position of the union will be determined after further talks with the government. For now, the government has agreed to loosen the tax on excessive wage increases (the minimum base 1.1 million).

Leszek Lamparski, the main commandant of the police, announced the formation of a special unit to pursue economic crimes and corruption. The unit under the pseudonym K-17 is to have 600 functionaries in the 17 largest voivodship commands. The positions will be taken from the Main Command of the Police.

President L. Walesa on 2-3 July 1991 will visit Belgium and NATO headquarters.

In Wroclaw, there was a conference of the rectors of the higher schools. R. Glebocki, minister of national education, and Cardinal H. Gulbinowicz also participated. The minister announced that the Ministry's deficit amounted to 15 percent of the planned expenditures; he proposed that the decrees issued by the government, if they are

issued, would not include his ministry; he suggested introducing two- or three-year occupational studies.

Poland will receive more than \$1 billion from the World Bank in 1991. Of this money, \$280 million will be spent on privatization and restructuring enterprises, \$200 million for the development of financial institutions, \$100 million for agriculture, \$100 million for fighting unemployment and for the development of services.

According to a survey by the Public Opinion Research Center, support for Balcerowicz's plan is declining. In May, 21 percent of the respondents supported it and 38 were opposed. More than 40 percent did not answer the question.

From a survey by the Center for Research on Public Opinion, 95 percent of the respondents on 3 and 4 June 1991 thought that the country's economic situation is bad or weak; only 4 percent thought it is very good; 64 percent of the respondents thought that the current times are better for schemers and shysters; 56 percent thought that the average person has no influence on the situation in the country; 46 percent thought that people from the former circles and cliques have great influence; 44 percent thought that young people have no future; 43 percent thought that soon the majority of honest people will live in poverty.

Suicides in the army—GAZETA WYBORCZA reports that, through May 1991, 18 soldiers attempted to kill themselves violently; 13 died. In 1990, 65 soldiers attempted suicide; 51 died.

In the town of Kamienczyk (Ostroleka Voivodship), two policemen attempted to stop thieves, who attacked the policemen. In self-defense, as the initial investigation shows, a policeman used his weapon. One of the criminals was killed; the other was wounded.

Dead twins were found in Grudziadz in a plastic bag abandoned by the mother immediately after birth.

Stanislaw Albinowski in GAZETA BANKOWA calculated that in comparison with December 1989 the current price paid by a household for gas has increased 47-fold and for electricity, 22-fold. The rate of price increases for gas was 10 times greater and for electricity five times greater than for prices of goods and services (4.5). The nominal monthly wages in the six sectors of the economy increased three-fold during this period.

The Catholic secondary school of the association "Peace and Good" is the first social school in Ostroleka. It is located in the former building of the PZPR [Polish United Workers Party] Voivodship Committee. In 1992, the first private elementary school is to be opened: The admission fee is to be 1.5 million zlotys, and the monthly tuition, about 750,000 zlotys. [passage omitted]

A court in Lodz has awarded Andrzej Slowik, the chairman of Lodz Solidarity, damages for being imprisoned in December 1981. The damages are 184.672 million zlotys. Slowik was asking for 402.32 million zlotys.

WPROST has published a list of the richest Poles. The first eight: —Barbara Piasecka-Johnson (age 51). Her assets

exceed \$550 million. —Wojciech Fibak (age 39), a tennis player, manager, financier, and art collector. —Piotr Buchner (age 48) doctor of chemistry and pharmacy. Since 1979, he has been investing in Poland. He employs more than 2,000 individuals. —Zbigniew Niemczycki (age 44) is president of Curtis International, an American international trade company; he resides both in Poland and in the United States. The turnover of SerVas, Inc., of which Curtis International is a part, amounts to about \$3 billion annually. —Janusz Leksztyn (age 29). In 1989 the value of production of the firm El-Gaz, which he founded, was well above \$20 billion zlotys. The turnover during the first quarter of this year already exceeded 300 billion zlotys, and the value of current investment is estimated at 1 trillion zlotys. —Aleksander Gawronik. The monthly turnover of his enterprise is estimated at several billion zlotys (during 1991 it will probably reach 1 trillion), and Gawronik's monthly income is several hundred million zlotys. —Sobieslaw Zasada (age 60) is the representative for Porsche and Mercedes in Poland. His assets are estimated at \$25 million. —Stanislaw Bagsik (age 31) is a musician by training. Together with colleagues, he founded a limited liability partnership. Its turnover last year exceeded \$300 million; Bagsik's firm bought all the Ursus tractors, saving the company from bankruptcy.

The weekly NIE published and edited by Jerzy Urban is printed in 530,000 copies and has few returns. In the last issue, the results of a survey about him were published: 55 percent of those surveyed said they read NIE; 36 percent that they read NIE regularly. Among the later, the largest group consists of men age 40-49 with either a complete or incomplete higher education and who live in cities of fewer than 100,000 residents. Of the readers, 59.5 percent and, of the regular readers, 70.5 percent said that the magazine is controversial, but bold, taking up subjects that other papers avoid. On the list of titles of newspapers and magazines which adults in cities say are good, NIE takes third place, behind POLITYKA and GAZETA WYBORCZA. But unnamed women's magazines are also rated higher than NIE.

The next price increase for gasoline: The price for 94-octane gasoline is now 4,500 zlotys (previously 4,100 zlotys), and for diesel fuel, 3,000 zlotys (previously 2,800 zlotys).

Opinions

Tadeusz Mazowiecki, chairman of the Democratic Union (UD):

(From an unauthorized transcript of comments during a visit to Lubaczow from DZIENNIK LUBELSKI 12 June 1991)

"It is not always necessary to burden the church hierarchy with the social fears of excessive clericalization of public life. Frequently, the initiative is in the hands of lay people who hold official positions. That was the case with the recent pilgrimage of the voivodes to Jasna Gora. A voivode obviously can participate in a pilgrimage, but not as a voivode, only as a private individual. If it is emphasized that it is a pilgrimage of voivodes, and thus of high

state functionaries, then at once fears of clericalization of life in the state arise. Good will on both sides, on the side of the church and of the lay people, is needed so that, on the one hand, cooperation between the church and the state is socially useful and that, on the other hand, it does not cause fear in society."

Andrzej Krzysztof Wroblewski, editor in chief of GAZETA BANKOWA:

(GAZETA BANKOWA 16-22 June 1991)

"The unanswered question remains: If the Soviet Union is awarded aid (I cannot judge whether the sum of \$250 billion has a chance), will the rescue be given to the Soviet state or to its president? Will Gorbachev follow the path of Gierek 15 years ago and spend the money to support his position? It seems that is one thing which the secretary general could learn from the capitals of East Europe: The credibility of a politician does not rest on the trust which he is able to arouse at home and abroad, but on the system that produced him. Walesa, Havel, or Antall are less well-known, but they represent a system which, after their departure, will remain more or less what it is. The Soviet system is still a surprise dependent on secret agreements and charismatic individuals. The risk that such an individual will take the money and then execute a volte face is still large. And it is probably that risk, more than the amount, that is restraining the largess of the West.

Thus, the West, when counting money for Gorbachev, should get guarantees on what it is to be spent for and consider whether it will contribute to the stabilization of our troubled continent.

Jan Lopuszanski, deputy chairman of the Main Council of the Christian National Union (ZChN):

(Interviewed by Waldemar Chudziak and Maria Dorywala, SLOWO POLSKIE, 1-2 June 1991)

[SLOWO POLSKIE] In the next term will you seek for parliament to return to the subject of protecting a conceived child?

[Lopuszanski] If we are unable to push through this law in this term, for me there is no doubt that I will strive to have the matter taken care of in the next parliament as quickly as possible. Regardless of whether I am a deputy or not.

Julian Kawalec, writer:

(Interviewed by Mieczyslaw Bzowski, GAZETA WSPOLNA, 15 June 1991)

[Kawalec] It seems to me that at present the church has distanced itself a little from the spiritual sphere and neglected its tasks in the area of morality and ethics in favor of a taste for material issues, for the external beauty of the ceremonies. It appears too infrequently where the grayness of daily life is, where there is pain and suffering, and exerts too much effort on organizing showy theater spectacles of its holiness. For the sake of the truth, one should say that our higher church hierarchy is making certain efforts toward reconciliation; however, I do not observe these tendencies among the clerics at lower levels.

POLITYKA Weekly News Roundup: 9-15 Jun 91

91EP0587B Warsaw *POLITYKA* in Polish No 24,
15 Jun 91 p 2

[Excerpts]

National News

[passage omitted] The American company AT&T has signed a contract with the general directorate of the Polish Post, Telephone, and Telegraph. The contract covers the improvement of the telephone system in Szczecin and its surrounding area, and also equipping the intercity switchboards in Plock, Wloclawek, and Siedlce. The installations are to be completed by the end of 1992. [passage omitted]

During the deliberations of the Interministry Commission for the Reform of the Organization of National Defense, a dispute developed between Ministers Zabinski and L. Kaczynski of the President's Chancellery, and as a result L. Kaczynski left the room. The motives were explained in *EXPRESS WIECZORNY*: "In general terms, the dispute concerned what the powers of the president and of the Council of National Security, of which the president is chairman, should be. The government conception plans for the Council of National Security to be an exclusively advisory body, and all of its current powers would be taken over by the government." What powers should the president have in the area of defense? "The president should remain the commander of the Armed Forces, be fully responsible for state security. The superiority of the president guarantees the stability of defense policy, which a government largely dependent on the situation in parliament cannot guarantee."

"A Wave of Suicides" is the title under which *KURIER POLSKI* reports that in 1990 there were 3,841 suicides in Poland, nearly 200 more than in 1989. The largest number was committed under the influence of alcohol (1,473—more than 30 percent of the total); then come suicides involving psychological disorders (657) and family disagreements (571). There were 88 suicides by young people age 14 to 16 in 1991 [as printed].

Customs duties on cars have increased: Beginning 6 June 1991, on cars more than four years old, the duty will be 40 percent, but not less than \$1,300. For newer cars, the duty is as before, 10 percent, but the minimum is now \$800, not \$350, as before. Beginning 9 June 1991, the importation of cars more than 10 years old will be prohibited.

Fourteen theaters in Warsaw are being shifted from the control of the voivode to that of the city president. This may mark their privatization or collapse. Neither the president of the Union of Polish Stage Actors nor Deputy Andrzej Lapicki signed the document concerning this matter. The transfer of the Teatr Dramatyczny aroused particular resistance. (Data on culture for 1990 just published by the Central Office of Statistics shows that one theater disappeared in 1990, but the number of performances declined by more than 3,500 in comparison with 1989 and by 6,000 in comparison with 1988. Similarly, the number of people who went to the theaters declined by more than 1 million in comparison with 1989 and by 1.7

million in comparison with 1988. In 1990, the theaters gave 161 performances abroad [in 1989, 232; in 1988, 248]).

The Catholic Church in Poland 1918-1990 is a publication of the Central Office of Statistics and the Department of the Sociology of Religion of the Association of Catholic Missions (SAC). The price in hard cover is 60,000 zlotys and in paper the price is 50,000 zlotys. In 1988 (1972 data in parenthesis), worldwide, 17.6 percent (18.2) were Catholic; in Poland, 95.3 percent (93.5); in France, 84.9 percent (87.8). The number of faithful per priest: worldwide, 2,217 (1,623); in Poland, 1,651 (1,704); in Europe, 1,231 (1,030), in France, 1,409 (1,025).

Roman Bartoszcze and Wladyslaw Sila-Nowicki have sent an open letter to the president saying they regard Prime Minister J.K. Bielecki being shown on television as a soccer player in a shirt with an advertisement for a German firm that sells milk as "a totally unacceptable action." In conjunction with this action, they are accusing the prime minister as the leader of the Liberal-Democratic Congress of "not having the good of Polish agriculture in his heart." The director of the Government Press Office explained that the prime minister had the shirt on by accident.

The Public Opinion Research Center, regarding young people: From a report made after the April survey, we selected information on readership. Young people most frequently read *JESTEM* (15 percent of the respondents), *SKANDALE*, *POPCORN*, *PRZYJACIOLKA*, *FIL-IPINKA*, and *NIE* (4 percent). The most frequently mentioned daily is *GAZETA WYBORCZA* (3 percent of the secondary school pupils surveyed).

The National Bank of Poland and two American firms have formed a joint venture to build a 39-story banking center in Warsaw; its capital is \$100 million. The joint-venture agreement was signed by Grzegorz Wojtowicz of the National Bank of Poland, Eugen Goluba of the Golub Company, and Sydney Epstein of Epstein Engineering Export.

The Center for Research on Public Opinion has studied opinions of the president. After nearly six months of Lech Walesa's term as president: In the area of domestic policy, 1 percent of the respondents gave him a mark of very good, 11 percent good, 51 percent average, 26 percent bad, 7 percent very bad, and 4 percent hard to say. The most important foreign visit by the president: 35 percent said the one to America; 15 percent said to the headquarters of the EEC in Bruxelles; and 8 percent said to the Vatican. In response to a question about how the president appears on television, 4 percent said decidedly favorably, 35 percent rather favorably, 34 percent rather unfavorably, and 16 percent decidedly unfavorably. [passage omitted]

NIE reported that the Regional Court in Grodzisk Mazowiecki has decided that the Karski family has the right to 1,655 hectares of land in Roskosz, the manor, the brewery, and the buildings. The State Farm has 600 hectares; the rest belongs to individual farmers, who gained ownership through the land reform. [passage omitted]

The referendum on the strike by the fire fighters showed that 90 percent of them were opposed; only in Ursus was the strike supported by more than 80 percent of the fire fighters. [passage omitted]

PAP reported that Marian Terlicki, the president of the Radio and Television Committee, has been removed from his position. The report was denied by those authorized to make such a decision, and the president of PAP suspended the head of the domestic service until an explanation is established.

The owner of the German firm Heinrich Bauer Verlag has resigned from the auction purchase of GLOS PORANNY, which previously belonged to the Workers' Publishing Cooperative, because he "was unable to reach agreement with the staff." [passage omitted]

Opinions

Wojciech Jaruzelski:

(From an unauthorized transcript of a meeting held at the Kuznica Club in Krakow from TYGODNIK POPULARNY 2-9 June 1991)

"I am aware that many people today are experiencing a 'rightist infantile disorder,' but I expect the government will also become sensitive to the voice of the left. But I am far from the doctrine that the worse the better, and I wish the country the best without regard to which group completes the reform. Obviously, the force of the attacks on the people of the left must concern me, regardless of whether it concerns the leftist past, because, among other reasons, it can have consequences for the process of change in the USSR—and that means for half of Europe and for half of Asia. We transferred power to the former opposition on a plate, and it would not be good if the attitude of the victors to those in the PZPR [Polish United Workers Party] proved to be only a delayed execution. The apparatus in the USSR is strong and closely observes our political stage, and not just ours."

Zdzislaw Najder, chairman of the National Citizens' Committee:

(Interviewed by Krzysztof Palinski, KURIER PODLASKI, 28 May 1991)

[Palinski] Do you think that Solidarity will vindicate itself in the upcoming elections?

[Najder] I do not know whether Solidarity as a single formation still exists. For the voters, is what divides that camp not more important than what unites it? I fear that for the average voter the Solidarity camp is a myth of empty words; it pains me, but I fear it has come to that.

Jan Nowak-Jezioranski:

(Interviewed by Witold Pasek, WPROST, 2 June 1991)

"I think a large part of society would receive with joy some symbolic agreement between Walesa and Mazowiecki, that would strengthen greatly the post-Solidarity camp. One must remember that both the main forces of this camp are elite groups, both are devoid of real influence on the

workers and farmers.... Experience teaches that parties of the "intellectual" type usually do not play a great role in parliament. People tell me that attempts to form such a coalition are utopian. If that is true then I fear that the elections will bring changes unfavorable to Poland.

"If there is no coalition between these groups descended from Solidarity, then, in my opinion, some anonymous 'third force' will win."

Leszek Moczulski, leader of the Confederation for an Independent Poland (KPN):

(From an unauthorized interview with Waldemar Chudziak, SLOWO POLSKIE, 23 May 1991)

[Chudziak] How much is needed still to form an independent state?

[Moczulski] Very little. If we win the elections, then five months.

[Chudziak] And a rich state?

[Moczulski] Twenty years.

[Chudziak] What number of seats in the Sejm would satisfy the Confederation for an Independent Poland (KPN)?

[Moczulski] About 455 seats, since we do not want to be the only party in this parliament.

POLITYKA Weekly News Roundup: 2-8 Jun 91

91EP0587A Warsaw POLITYKA in Polish No 23, 8 Jun 91 p 2

[Excerpts]

National News

[passage omitted] Roman Bartoszcze has been suspended as president of the Polish Peasant Party [PSL]. The party's Main Council held a roll call vote on whether Bartoszcze should resign from the party (53 votes for, 17 against, 10 abstaining); but, since such a decision requires a special majority (two-thirds of the 110 members of the council who are qualified to vote, or 73 votes), it was not possible to remove the president, and a simple majority suspended him until the congress of the Polish Peasant Party convenes. "I will not submit to the decision of the Main Council," said R. Bartoszcze. "What happened today is a sign of the beginning of a division in the party." Aleksander Bentkowski, deputy president, will perform the functions of the president until the congress. [passage omitted]

Wages in the six sectors of the economy in April 1991 (excluding profit sharing) were 1.6214 million zlotys. In the private sector (excluding cooperatives and social organizations), the average wage was 9.4 percent higher, but in foreign-owned businesses, they were 5.7 percent higher.

Andrzej Slowik (chairman of the Lodz Region of Solidarity) and Jerzy Kropiwnicki (leader of the Christian National Union [ZChN] in Lodz) are asking for 400 million in damages for improper sentences in 1981. They have filed such a complaint with the Voivodship Court in

Lodz. (They were in prison for about two-and-a-half years.) In a commentary on this report in *GAZETA WYBORCZA*, Adam Michnik writes: "A union and political activist, who knows for what he fought and for what he suffered, who knows the state of the public finances and the mountain of needs, for whom his own image is more dear than money, could rise to the gesture and absolve the free Republic of the debts accrued by the PRL [Republic of Poland]."

With one vote against, the Commission for Constitutional Responsibility decided that it will not adopt a motion to charge former Prime Minister M.F. Rakowski and Minister M. Wilczek with criminal responsibility for the decision to liquidate the Gdansk shipyards. "In order to prove guilt in a criminal process, it would be necessary to show that Rakowski and Wilczek knew that the economic situation of the shipyard was good, and in spite of that they decided to liquidate it in order to punish the stubborn shipyard workers," commented K. Lojewski, a lawyer and one of the three Commission experts, on the decision. Minister Wilczek, who was present at the meeting, declared that "the current economic reform shows how delayed the decision to liquidate the Gdansk shipyard was." To the accusation that it was a blow aimed at the cradle of Solidarity, the former minister responded: "I was the minister of industry and not of cradles."

Solidarity at the Gdansk shipyard protested against the decision of the Commission for Constitutional Responsibility and plans to submit a motion to the Tribunal of State asking M.F. Rakowski and M. Wilczek be charged with such responsibility. The shipyard workers complain that "the law in Poland protects the elite of communist authorities" and are demanding that the president intervene. [passage omitted]

The Central Office of Statistics described the earnings of bureaucrats. The average monthly wage in the central organizations was 2.4 million zlotys in the first quarter. The largest wages were in the President's Chancellery (an average of 4.2 million), at the Supreme Chamber of Control (3.2 million), and at the Sejm Chancellery (3.1 million). The lowest were at the Ministries of Culture and Fine Arts (2.1 million), of Foreign Affairs (2 million), and of Health and Social Services (1.9 million). The average wage for an employee in the local administration was 2.2 million zlotys. The President's Chancellery said the data from the Central Office of Statistics on the President's Office was high and had upset the employees there. The actual average wage is 2.812 million zlotys. Lech Walesa is not collecting his wage of 11.5 million zlotys, but the purpose for which the funds are to be used has not been determined. The Central Office of Planning has confirmed the alarming data on the enterprises' situation: In the first quarter, their profitability was 12.4 percent, or three times lower than during the same period of 1990. The situation was the worst in the power and coal mining industries, and the best in the printing industry. [passage omitted]

The liberal faction of the Democratic Party [SD] has left the ranks of the party and joined the Liberal-Democratic Congress [KLD]. A letter sent to the Main Council and

members of the Democratic Party says that the Democratic Party "finally eliminated itself from the contemporary scene of political life at its 15th Congress." Among the signatories were Tadeusz Bien and Cezary Lezenski.

Marek Rostworowski, minister of culture, has named a new Council for Culture. Among those invited were Artur Miedzyrzecki (poet, president of the PEN-Club), Witold Lutoslawski (composer), Kazimierz Kord (conductor), Andrzej Wajda (theater and film director), Maciej Englert (theater director), Jerzy Stuhr (actor, rector of the Krakow theater school), Waldemar Dziki (director), Ryszard Kapuscinski (writer), Stanislaw Rodzinski (painter, critic), Ryszard Stanislawski (director of the Museum of Contemporary Art in Lodz), Wislawa Szymborska (poet), Jerzy Jedlicki (historian), and Andrzej Szczeklik (rector of the Krakow Medical Academy).

Representatives of the largest youth organizations are protesting the formation of the Polish Council for Youth, which includes 35 individuals chosen according to their political organizations and which is to represent the youth age group to the state and European institutions. Pawel Piskorski, an adviser to the prime minister, is supposed to have picked the membership of the Council. He is a former head of the Independent Association of Students and an activist of the Liberal-Democratic Congress. There was no place in the Council for the Polish Scouting Union [ZHP] (about 1 million members), for the Union of Rural Youth [ZMW] (about 50,000 members), the Union of Polish Students [ZSP], the Union of Socialist Polish Youth [ZSMP], or the Youth Council of the OPZZ [All-Polish Trade Unions Agreement].

A Foundation to Support Polish and Polonia Memoirs has been formed. Prof. Jan Szczepanski is chairman of its council; Wieslaw Mysliwski is president. The foundation has announced a large competition: "Polonia Generations—A Memoir Self-Portrait." (For detailed information, write to the Centrum Pamietnikarstwa, 00-373 Warszawa, ul. Nowy Swiat 18/20, skr. poczt. 17).

The Association To Help Children Suffering From Ailments of the Biliary Canal and the Liver, LIVER, has been formed. Its offices are in Krakow at ul. Borsuca 5/55. Telephone 66-04-37. [passage omitted]

"An End to Privileges for Graduates" is the title of a report in *EXPRESS WIECZORNY*. It turns out that graduates funded vacations for themselves at state expense by collecting unemployment. Minister Boni said: "We intend to change this. Unemployment can be available to graduates only after a certain period of time elapses after they complete their studies."

Six Romanians and five Bulgarians attempted to smuggle themselves across the border as part of the Corpus Christi procession, which crossed the border river from Zgorzelec to Goerlitz. They were returned to Zgorzelec by the German border guard.

Jacek Kuron declared that he would be prepared to accept the position of prime minister or deputy prime minister for social policy after the elections. [passage omitted]

Opportunities for Trade With Romania Examined
91EP0580A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17 Jun 91 p III

[Article by Ada Kostrz-Kostecka: "Trade What?"]

[Text] We have a long, 100-year-old tradition of trade between particular regions of our countries. But in recent years trade contracts between Poland and Romania were rather limited, if one looks just at the variety of goods. The dominant products were machines and equipment for various industries, heavy construction and road-building equipment, railcars from the Romanian side, and cranes from our side. They made up more than 80 percent of turnover both in Polish deliveries to Romania and Romanian deliveries to Poland. The next position on the list was occupied by raw materials, which made up just six to seven percent of trade from each side.

In the best years, 1987 and 1988, the value of deliveries was considerable. In total it reached 900 million rubles. As with the other CEMA countries, contracts were the fulfillment of long-term intergovernmental agreements. Consequently, there was not much room for initiatives to broaden trade from below. Moreover, the closing of Romania made contacts more difficult.

The orientation toward products of an investment nature has now had its revenge. Economic recession has never favored investment. Investment expenditures have diminished in the last two years; in Poland by 2.4 percent in 1989 and by seven percent in 1990 (in each case the comparison is to the previous year and uses OECD data); in Romania by 1.6 percent and 42 percent, respectively.

The drop in production—and not only in the case of these two countries—was also reflected in foreign trade, particularly last year when production fell by 23 percent in Poland and 22 percent in Romania. It has turned out that, in spite of the agreements, there is nothing to trade. Romania has had greater problems, because in our country the gap in goods from state enterprises was filled, at least in part, by the products of private firms and companies financed by foreign capital.

Moreover, Romania, wanting to correct the situation in its own market, has begun to import more consumer goods than ever before, including goods from Poland. Thus, at the end of last year, it turned out that the traditional debit balance on the Polish side was a credit balance this time, and Romanian indebtedness amounts to 124 million rubles.

To pay its debt, Romania offered goods, including wood-working machines, Dacia and Aro automobiles, electric motors, wine, furniture, and mining and foundry equipment. It also made a tourism offer worth one million rubles. Even today contracts have been entered into for 100 million rubles. The Romanian side is interested in paying the debt with goods, because if it does not do this, it must pay in dollars by the end of the year—again in accordance with generally accepted principles. That is why it is ready, if need be, to present new offerings of goods.

Independent of the settlement of accounts at the end of last year, a new stage of trade—in dollars—began. Problems arose immediately because since then payment has had to be made in foreign currencies. Requirements rose but the quality of products did not.

Organizational conditions have also changed: Instead of executing agreements that were drafted above, specific enterprises now reach understandings. But there are 10,000-20,000 enterprises on each side authorized to engage in foreign trade, and there is simply a lack of information about what and with whom one can trade. In our country, various lists of enterprises, though not complete, have begun to appear; in Romania publication of such lists is only now being planned.

The system of payments has also become more complicated because in December of last year the two governments signed an agreement on payment in dollars. A condition of the agreement—and a second agreement spoke of this—is that accounts will continue to be cleared in rubles until the end of September for deliveries of goods that are being continued from last year.

In the opinion of Viszan Marin, the economic adviser in the Romanian Embassy in Poland, both sides should begin with those goods that have already been traded at some time. But in order to become acquainted with one another, it would be best to simply take part in various organized fairs in our countries.

Neither side has a surplus of dollars: Would it not therefore be good to make barter arrangements, in other words, an exchange of goods for goods?

Romania, in the opinion of the adviser, Viszan, is interested in any commercial exchange, even in this form. In Bucharest a special organization has even arisen, "Bar-timex," but it does not have a monopoly on commercial exchange. The problem is exclusively in coming to an agreement as to prices, that is to say, the equivalency of particular products. Regional contacts have already become more vigorous. Among others, talks are being conducted with the Romanian side by delegations from Biala Podlaska and Wroclaw.

Cooperation of another sort—economic—could also be renewed. A joint commission once existed. It met for the last time in 1987. Experts then expected that cooperation would be profitable between the machine-building, chemical, petrochemical, light, metallurgical, and transport industries. Cooperation would also be possible in the production of railcars, tractors, sea-going and river ships, trucks, and road equipment.

In 1989 there was still talk of scientific-technical cooperation, technology exchange above all. More than 60 topics from various areas were prepared. It would also be worth returning to them. The implantation of new technologies into Romanian industry should, in the opinion of adviser Viszan, interest Polish entrepreneurs. They could also do business, sharing their experience in the sphere of marketing, packaging, forms of sales, and so forth. They could

also invest in the Romanian tourist base—which is what Romania is most interested in.

In spite of the changes which have taken place in both countries, cooperation is possible, provided that both sides see an interest in this. Stabilization of the Romanian economic situation is also essential because the lack of stability is frightening away potential foreign partners.

British Firm To Print Polish Passports

91EP0540B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17 May 91 p II

[Article by E.Z.: "New Passports Being Printed"]

[Text] On 3 May 1991, Paged Foreign Trade Partnership and the British firm Harrison and Sons signed a contract to print new Polish passports. They will be introduced gradually in place of those currently in use.

Harrison and Sons is one of the oldest firms specializing in printing safety paper, such as currency, postage stamps, securities, and passports. It is part of the international, multiline trade and industrial Lonrho group, which owns more than a thousand companies worldwide, dealing with hotel management, transportation and shipping, gold, platinum, and copper mining, and publishing activity.

The signing of the contract was an opportunity to discuss future cooperation between Paged and the Lonrho group in the field of paper production, hotel management, banking, and international distribution of paper and furniture.

When Paged was asked about the value of the contract and the number of passports that will be printed as a result of it, the company declined to respond but assured that there would be enough for everyone.

Synopsis of Economy for First Five Months

91EP0580B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 19 Jun 91 p I

[Article by Malgorzata Szyszlo: "Economic Bright Spots and Shadows"]

[Text] Several days ago we published data from the GUS [Central Office of Statistics] on May's economic results. The Central Office of Statistics also prepared extensive information on the economic situation in the five-month period of this year.

As Tadeusz Chroscicki, deputy director of the Department of Information and Forecasting in the CUP [Central Planning Administration], informed RZECZPOSPOLITA, the bright spots in the economy in the fifth month of the year are that the inflation indicator has remained at a relatively low level—2.7 percent; food prices have dropped by 0.8 percent; dollar exports have risen, permitting the unfavorable trade balance to be reduced to \$367 million; and the tempo of the fall in construction-assembly production has been reduced.

However, the economic shadows consist of the worsening of all indicators and relations characterizing the financial situation of enterprises. The number of factories carrying

deficits rose to about 1,500, and the number of those which lost creditworthiness rose to 943, including 407 industrial enterprises, 179 trade enterprises, and 212 enterprises from the agricultural sector. Nearly a third of these have not been creditworthy for more than five months. A further decline in the level of investment has taken place. The situation in agriculture has worsened. This is connected to unprofitable price relations and growing barriers to the sale of products. The budget situation is difficult.

Presenting more detailed data, the director, T. Chroscicki, emphasizes that information flowing in from the voivodships and systematic questionnaire research conducted in enterprises by the CUP indicate that, in the effort to sustain the activity of enterprises, it is becoming more and more common to incur debts to various banks at once without considering the interest rate. Unrealized obligations with respect to the State Budget are also growing. There are not enough funds with which to pay employees.

Attempts to limit costs aim mainly to drastically reduce expenditures for social welfare and environmental protection. Enterprises are getting rid of components of their wealth that are superfluous in present conditions, selling them or transferring them gratuitously in order to communalize. In this way they are diminishing capital funds and thereby the value of the dividends being siphoned off. Investment and development activities are also being delayed. Higher taxes are related above all to current activities.

Significant limitations on sales of slaughter cattle and other products as well as the delay of payments for supplied products have worsened the economic situation of farmers. Reserves of butter, cheese, and meat are rising. The activity of the Agency for Agricultural Marketing only eases the difficulties with sales to a small extent.

The sales of grain from last year's harvest remain low. In many voivodships they are not noted at all or are very small. Warehouse grain reserves continue to be very high. On 8 June, they amounted to 1.7 million metric tons, including 0.9 million metric tons of wheat. In May, supply of mineral fertilizers and plant-protection agents improved significantly. At the same time, relatively high demand for nitrogenous fertilizer and low demand for phosphatic and potassic fertilizers were noted.

In a four-month period this year, investment expenditures amounted to 21.8 billion zlotys in constant prices and were 14.5 percent lower than a year ago—24.5 percent lower for construction-assembly work. On the whole, investments for the sale of machines and equipment stood at last year's level. Above all this was determined by the import of investment goods, which rose by about 20 percent in comparison to the same period last year.

The CUP concludes that the decision to change the exchange rate for the dollar influenced the rate of decline in the level of the currency deposits of the public and of enterprises. In May, the public's foreign exchange resources diminished in comparison to the situation of a month ago by 2.5 percent, as compared to an average of 4 percent per month during the January-April period. The

foreign exchange resources of enterprises fell 3.5 percent in May, as compared to 9.9 percent per month during the January-April period.

Against the background of poor production results, wages (although lower than in April) were relatively high. The indicator of payment for labor productivity in industry amounted to 1.79 in the five-month period, including 2.28 in May.

The value of retail sales in May, calculated in current prices, amounted to about 31.7 billion zlotys and was 5 percent lower than sales in April. The volume of sales was reduced by about 8 percent. The limitation on demand for nonfood articles, especially electrical and mechanized housekeeping equipment and products of light industry, was maintained. Director T. Chroscicki says that state industrial enterprises, because of the lack of financial resources, do not have the opportunity to quickly change their production profile in order to manufacture technically modern, high-quality products that are competitive with imported products.

Weakening Agriculture Disturbs Support Industry

91EP0580C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
19 Jun 91 p III

[Article by Edmund Szot: "Agriculture on an Inclined Plane"]

[Text] Last year a significant drop in purchases of industrial means of production for agriculture was noted. The sale of tractors diminished by 28.3 percent in comparison to 1989, the sale of combines by 21.7 percent, plows by 23.4 percent, and sowers by 43.6 percent. This year the drop in purchases of agricultural equipment deepened even further.

Purchases of mineral fertilizers and plant-protection agents were drastically reduced. Last year, sales of urea diminished to less than a third of their previous level, ammonium nitrate and nitro-chalk nearly halved, and superphosphate also almost halved. Fertilizer factories were saved by an increase in exports, but fertilizer did not attain the levels of previous deliveries to the domestic market. Consequently, the need arose to gradually limit production. In the end some factories (for example, the one in Police) suspended production of fertilizers altogether.

The current levels of sales of industrial means of production pose a threat in the form of technical degradation and extensive agriculture that is too far advanced. In the next few years, the fall in crop yields may turn out to be so deep and the need to import food so great that there simply will not be enough funds to purchase it. Also, supplies of equipment for agriculture will become worse and worse now that the sale of tractors and machines does not cover the decreases in used equipment.

Next year it will become necessary to import a greater quantity (several million metric tons) of grain if the current level of animal production is to be maintained. In the next few years these needs may grow further. In the

long run, this will prevent the idea of our country's food self-sufficiency from materializing.

The weakening of agriculture will have obvious negative consequences for many other sectors of the economy. The mineral fertilizer and plant-protection-agent industry will feel it first of all; then, the tractor and agricultural machinery industry, which could easily shift to other types of production; and, finally, the food industry. This branch, which from the nature of things should be the locomotive for agriculture, may become one of the victims of its downfall.

Perhaps these are catastrophic predictions, but the currently observed trends do not permit any others. The shock therapy applied to the entire economy turned out to be too great a shock in the case of agriculture. The president's assurance—"I want to help, I must help"—was directed to precisely the professional group most in need of this help.

The agricultural credit system requires change first of all. Of the many demands of the farmers' social-trade organizations, this one was completely justified and from the beginning deserved favorable and insightful attention. Not the demand to introduce guaranteed minimum prices nor the demand smacking of xenophobia for defensive custom duties on food, but precisely the call for low-interest credits had a profound justification. If it is true that inflation harms agriculture the most, that is still no reason for farmers to bear the highest costs of the emergence from inflation. The often-quoted argument for a free turnover of capital in agriculture is nonsense after all.

RZECZPOSPOLITA's publications on agriculture have met with a critical response from farmers many times. They should not treat the current one as a change in our approach to agriculture. We have always declared ourselves in favor of preferential credits for the countryside. Something else irritates farmers; namely, uncovering the weakness of Polish agriculture and explaining to farmers that, in spite of the progressive opening of the price scissors to their detriment, their relations continue to be more advantageous in Poland than in many other countries.

Representatives of the so-called farm lobby have more than once raised the issue of the significantly higher prices in EEC countries for agricultural products, such as grain, milk, and slaughter cattle, forgetting to mention how high prices are for agricultural equipment in the West and how universal is the movement there for reducing the costs of using it. But the thesis that we have promoted on the need to change the agrarian structure has elicited the most objections. It is interesting that it was attacked the most bitterly, not by farmers alone, but by Polish Peasant Party members, who see in it a threat to the numbers of their own electorate.

I have in hand data about just how prices for tractors and machines stood in Poland and Europe at the beginning of April. A C-360 tractor in Poland cost \$6,010. Its counterpart on the European market (a Ford) cost \$22,400. For a potato-harvesting combine one had to pay \$5,189 in Poland; in the West, \$17,500. A rotary mower cost \$1,050 in our country; in Europe, \$4,500. For a mounted sprayer,

which could be purchased in our country for \$1,010, one had to pay \$6,670 in Western countries. In the case of a grain sower, the ratio of prices settled at \$950 to \$8,200.

It turns out that the Polish farmer cannot ordinarily afford to buy even such inexpensive equipment. For this very reason, the factory producing this equipment is searching for ways to make ends meet, particularly since it cannot be saved by export, because according to the taste of the West European farmer it produces junk.

The difficult situation of the plants manufacturing agricultural means of production is made worse by the fact that purchases are seasonal and by the practical elimination of wholesale links. In connection to this, the Ministry of Industry's Department of Industrial Policy proposes to divide dividend payments into monthly installments in an amount proportional to the magnitude already realized through sales. It also demands that dividends be left in enterprises for a year for restructuring purposes. Another proposal concerns the introduction of low-interest credits for financing seasonal reserves of industrial means of production. It also concerns the elaboration of a distribution scheme for domestically produced artificial fertilizers. Following the pattern of past years, the Ministry of Industry is also wishing that the Ministry of Agriculture and the Food Industry would define a prognosis for agricultural restructuring that takes into consideration the future of the PGR [State Farms]. Moreover, it is demanding assistance for those enterprises whose production plans were divided in the past according to the needs of the entire CEMA. It is also proposing that the matter of debts be considered by virtue of realizing central investments.

Just as the main cause of the low condition of agriculture is the drop in the demand for food, so the fundamental reason for uneasiness about the future of the branches working on behalf of agriculture is the drastic reduction in farmers' incomes.

In most countries, a portion of the farmer's income is low-interest credit. Credit policy will soon be a topic at a session of the Rural Development Council. The reception of its opinions by farmers has so far been rather reserved. This cannot surprise anyone who recalls what noisy "defenders" the countryside has and, moreover, what castles in the air they will promise the peasants before the elections. On the issue of agricultural credit, the opinion of the Rural Development Council should not diverge from the common opinion of farmers.

Pharmaceutical Privatization Profiled

91EP0577A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 18 Jun 91

[Article by Rainer Kroeplin, chairman of the Gdansk Foundation for Assistance to the Sick, and Dr. Leszek Pawlowicz, deputy director of the Institute for Market Economy Research in Gdansk: "Reform of the Pharmaceutical Market"]

[Text] In 1990 in Poland an intensive process of privatization of pharmacies was begun, and many private medical warehouses sprang up. Private pharmacies became

filled with medicines, and they appeared cleaner and more colorful. Sales offices of foreign pharmaceutical firms and pharmacy houses are also appearing in Poland, and Pewex, threatened by the competition, has clearly increased its advertising of medicines, despite the fact that under Polish law it can be penalized for this.

At the same time, there is a shortage of medicines in hospitals, Treasury obligations to "Cefarm" enterprises and private pharmacies are growing, "Cefarm's" debt in foreign trade is also growing, and the State Treasury is bending under the load of increasingly greater demands for money from the Ministry of Health and Social Welfare.

Former owners of pharmacies perceive the present process of privatization as the plundering of their, or their parent's, property. Voivodship doctors count with alarm the ever-larger sums of money allocated to pay for the medicines which are dispensed at no charge, and the prices of which are growing at a frightening rate.

Invest in Medicines

Given this situation, the only hope that it will improve lies in the draft of the new law that will change the rules governing payment for medicines. But this hope, unfortunately, is delusive.

Is the cause of these negative aspects indeed the privatization of the turnover of pharmaceutical items, as some voivodship doctors see it? In part, perhaps it is, because the privatization of the selling of medicines is being done on the post-Communist pharmaceutical market, which is charging its costs to the State Treasury only.

The pharmaceuticals market requires certain specific legal regulations and instruments of social and economic policy that will take into account its atypical character.

In every civilized country, pharmacy is good business. Producers, druggists, scientific institutes, and institutions for quality control of medicines participate in this business, and that is how it should be in a market economy, because otherwise there would be no progress. It is no accident that in the between-the-wars period in Poland, druggists were among the wealthiest citizens. Nor is it an accident that Mrs. Barbara Piasecka invested in the pharmaceutical industry instead of in a shipyard.

In every civilized country, the medicines market differs from the market of other goods in that there is no price limit on demand, or it appears to only a minimal degree. The state tries to guarantee the availability of medicine to its citizens regardless of their state of affluence. But the taxpayers do not like it if their money is being squandered without any control or is being designated for purposes other than those stated.

The present factual state of the medicines market in Poland has many aspects which are unique in the world. Here are several of them:

- The higher the costs of the medicine sold in the pharmacy, the greater the profit to the druggist. (The profit margin for domestic medicines is 25 percent, 30 percent for imported medicines.)

- Theoretically, medicines must be sold by a druggist, but there are lists of medicines which can be sold outside a pharmacy, e.g., in Pewex, where there are not many druggists.
- Full information on medicines that can be sold in Poland is lacking. True, there is an outdated official list of medicines (the number of which is ridiculous in comparison with Western standards), but there are also medicines which are not on the list that can be sold. But a list of these medicines has not yet been published, and furthermore, it is not available even to charitable institutions.
- There is one (badly equipped) institute of medicines in Poland. Putting a medicine on the market is an arduous, difficult, and long procedure. Even if the medicine is used with excellent results throughout the entire world and is being sold in countries which have the highest quality-control standards, it is still not exempt from the research procedures required in Poland. The length of this procedure guarantees a monopoly position to those foreign producers whose products made it to the Polish list, and allows them to dictate prices, while the costs of the monopoly are borne by the state.¹
- There is no control of any kind or examination of the taxpayers' flow of money designated for the financing of medicines. This also applies to financial inspection of pharmacies, or inspection of prescriptions on which refunds are based. Nor does anyone determine how much the State Treasury pays for particular medicines.
- There is an interesting system of privileges guaranteeing access to free medicines, which puts pensioners in the same group with the military, police, and railroad employees. An interesting division of medicines into three groups is also being proposed: Those for which a small lump-sum payment will be required, those which require 30-percent payment, and those which require full payment.

Pensioners who suffer an illness for which "third list" medicines are required are not to be envied.

How To Sell

Would it not be better in those conditions to adapt those solutions that have been proven and accepted in civilized countries that have a market economy? A certain number of these solutions have been included in the draft law on payment for medicines. But the question is—why only some of them?

Let us try to describe certain principles which are being applied on the pharmaceutical market in Germany. It should be assumed that this system will be of decisive importance in the future uniform mechanism of the EEC pharmaceutical market. Let us present the most important rules for selling of medicines, from the viewpoint of the druggist:

- Medicines can be sold only by pharmacies. A pharmacy may be operated only by a pharmacist who, in addition to passing a state test, has been certified to

be of good moral character.

- A pharmacist can be the owner of only one pharmacy and cannot conduct any other business. He is civilly responsible for his activities.
- There are very strict rules governing the price of medicines and profits:
 - The profit margin for a pharmacist is established by quota depending on the price of the medicine. The higher the price of the medicine, the lower the margin, and vice versa. (A 1991 table of margins can be found in PRAXIS AKTUELL, December 1990.)
 - An updated list of pharmaceutical raw materials (generic names) is issued each year showing standard prices. If any medicine prescribed by a doctor, under any trade name, costs more than the standard provides, the druggist collects the difference (between the standard and the price) from the patient or, as is more often the case, substitutes a medicine of another trade name. Medicines from this list are dispensed completely free; not even a token payment is required. It should be said that medicines on this list, which now consists of 73 items, constitute 40-50 percent of the sales in an average pharmacy. (The current list can be found in Festbetrag-regelung PZ No. 46, Jahrgang, November 1990.)
 - If the prescription bears only the generic name of a medicine, the druggist must dispense the medicine of the cheapest producer allowable on the German market, because otherwise the National Health Service will refund to him only the price of the cheapest trade name. If the druggist does not have this medicine on hand, he is the loser.
 - All medicines not on the above-mentioned list, but allowed on the German market, are dispensed for a token payment (Rezeptgebuehr—3 DM), regardless of their price.
 - Prices of medicines are the same in all pharmacies.

- The system of filling out the prescription by the doctor and the pharmacist makes it possible to determine at any time how much money is flowing through the National Health Service. The doctor settles his account with the National Health service every three months. The pharmacist does so on a current basis. The format of the prescription is standard and is adapted to computer control.
- Every pharmacy must be equipped with at least a standard laboratory, which is inspected for efficiency. A pharmacist is required to perform a normal inspection of two selected medicines from his pharmacy daily. He enters the results of his study into a special book that he is required to keep, giving information as to what he verified and when. He must immediately notify the Institute of Medicines in West Berlin as to any defects discovered in his own studies or on the basis of information received from his patients. This means that there is a daily inspection of over 30,000 medicines (19,000 pharmacies in the FRG). This rank-and-file process of continuous control of the quality of medicines being sold constitutes the most

important element in the system of controlling pharmaceutical products, aside from the control conducted by the producers themselves and many independent research institutes.

Still Not an Ideal System

The pharmaceutical market in Germany is not ideal. The liberals call attention to the limited range of competition, which means that the prices of medicines in Germany are relatively high in comparison with other West European countries, in which health services and pharmacies are based to a greater degree on market mechanisms (e.g., Italy and Spain).

In a civilized country the functioning of a medicines market is the result of a compromise between the free market and the range of state intervention which brings in various types of bureaucratic regulations and societal safeguards. But if the range of intervention expands, the societal costs of a market economy become higher than its social effects. It may be that wealthy Germany is at this stage at the present time.

In Poland, a poor country just beginning to embark on a market economy, a great deal of hope is being placed in a change in the social insurance system, which would have to radically improve the health service and pharmacy. Without a doubt, an efficient social insurance system is a very important element in a societal market economy, but it will not replace the market. With the state of the pharmaceutical market and the health service as it is, placing hopes in a security system will turn out to be in vain.

A change in the system of paying for medicines and the range of the state's assistance, if they are to be successful and effective, must also promote and improve market mechanisms, and create conditions for transformation of these systems.

The first step on the path to real system transformations should be the elimination of the above-mentioned nonsensical rules in the functioning of the present Polish medicines market.

The next stage should be parallel actions in two areas:

- Strengthening the competitiveness of producers and suppliers of medicines, e.g., by applying the principle that if a medicine can be sold in EEC countries, it is automatically eligible to be sold in Poland. This would make foreign firms competitive on the Polish market without guaranteeing exclusivity to any of them.
- Strengthening and improving the quality control system with regards to medicines. The Polish Institute of Medicines and other authorized institutes would have the duty and the right to inspect the distribution of medicines and could apply sanctions in cases of quality deviations. Pharmacists should also be gradually brought into the control system together with their control institutions, as well as private laboratories.

An efficient system of competition and control on the pharmaceutical market is essential if the public assistance of the state is to be effective.

On the other hand, a defective public assistance system, in range and principles, may pervert competition and complicate control, leading to disastrous results.

Footnote

1. See L. Pawlowicz, "Pharmaceutical Monopoly," *GAZETA GDANSKA*, 16-18 Nov 1990.

Small Enterprise Growth Due to Novel Products

91EP0540A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 22 May 91 p IV

[Article by Dr. Malgorzata Kokocinska: "The Economy in the Opinion of Enterprises: Harder for the Large Ones"]

[Text] The economic activity of state enterprises can only be viewed one step at a time; the state of the economy is difficult for every enterprise. In the last quarter of last year, large enterprises, i.e., those employing more than 1,000 workers, noted a slight advantage over medium-sized (401-1,000 employee) and small units. The first quarter of 1991 points to a reevaluation of these estimates.

Smaller enterprises are in a better situation. Because of their closer contact with the market, they are in a position, despite competition from private imports, to adapt to the market more readily. They are more suitable to privatization, which is a stimulating factor for the future. They are being offered preferential foreign credits in the form of special lines for small and medium-sized enterprises. Ultimately, they are more attractive partners for foreign capital because of their lower risk. One can already see that foreign firms cooperating with Poland, mainly German firms, are beginning to build a new strategy based on moving from high unit profits to a low margin, compensated for by a larger area of activity with increased diversity. International cooperation is beginning to find its voice and is taking advantage not only of the trump card of the low cost of labor but also of the higher qualifications of comparable groups of workers (e.g., masters).

As a result, smaller enterprises are somewhat closer to economic rationality. Research results confirm that the economic activity of small and medium-sized enterprises in the first quarter of 1991, despite a more cautious prognosis for the quarter, was 10 points higher than that of large enterprises. The prognosis for the second quarter of 1991 is similar in all three groups, so indicators of the economic climate, as an arithmetical average of indicators of the current situation and forecasting indicators, have a lower amplitude. Graphs 1 to 3 show their shape over the longer term, from the second quarter of 1989 to the first quarter of 1991. More detailed information is as follows:

Large Enterprises

In all enterprise groups and to the greatest degree in large ones, a decisive increase occurred in negative assessments of the general economic situation. While in the fourth quarter of 1990, 24.2 percent of enterprises in this group

assessed the general economic situation as poor; in the first quarter of 1991 this figure reached 54.9 percent. At the same time, only 7.5 percent of respondents viewed their situation as good. Nor do many expect improvement (15.4 percent).

Growing excess employment remains an economic problem from the enterprises' viewpoint. In the first quarter of 1991, fully 38.3 percent of large enterprises reported excess employment; this is an indicator much higher than in small enterprises and is growing in comparison to last year.

The demand barrier, already showing a slight diminishing trend, increased rapidly. In the first quarter of 1991, 71.2 percent of large enterprises said their portfolio of orders was less than current production, while only 6.8 percent were operating under backlog conditions. This had to affect the firms' overall financial condition. While in the last quarter of 1990 about half of large enterprises acknowledged that opportunities for financing their firms' current needs were too low; in the first quarter of 1991 this indicator rose to 81.1 percent. Only 8.5 percent of the enterprises in this group sees an opportunity to improve their financial situation in the second quarter of 1991.

Medium-Size Enterprises

Estimates in the area of the general economic situation of enterprise are about 10 points better in this group than in large enterprises. This means that 45.5 percent of enterprises assessed it as poor in the first quarter of 1991, while the rest saw it as satisfactory or good. The situation is also better in the area of access to basic elements of production. Decidedly better is the situation in the area of raw material supplies, and relatively better is the area of employment.

Excess employment, although it is occurring on a somewhat smaller scale than in large enterprises, is still the lot of nearly every third medium-sized enterprise.

Some 70.5 percent of respondents in this group viewed opportunities for financing current needs as too low, which in a relative sense means a value lower than the average for the entire sample by five points and lower than the level for large enterprises by 10 points. Meanwhile, medium-sized enterprises have formulated the most promising forecast in the area of demand for the first quarter of 1991—22.7 percent anticipate an increase in orders, while 55.1 percent expect to maintain their current level.

Small Enterprises

In this group of enterprises one can see the most positive changes in comparison to the fourth quarter of 1990 and the resulting smallest drop in economic activity.

A decisively higher level of rationality in employment occurs in small enterprises. Some 17.7 percent of this group assesses their employment situation as too high, which is less than half of the negative response in the large enterprise group.

The financial condition of small enterprises in the first quarter of 1991 was similar to that of medium-sized enterprises, i.e., about 10 points better than in large firms, while the forecast for the second quarter of 1991 anticipates an improvement in the financial situation to a greater degree than in the group of large and medium-sized enterprises.

Small enterprises see an opportunity to improve their situation in the market mainly by introducing new or improved products. Some 44.6 percent of firms are considering this.

Spokesman Comments on Hungarian Treaty Status*AU2507195091 Bucharest ROMPRES in English
1822 GMT 25 Jul 91*

[Text] Bucharest ROMPRES, 25/7/1991—The spokesman for Romania's Ministry of Foreign Affairs, Teodor Melescanu, said at his news conference on Thursday, 25 July, that Romania has joined, as a co-author, the draft resolution initiated and presented by the United States and adopted by the United Nations Economic and Social Council (ECOSOC), regarding Israel's temporarily joining the United Nations Economic Commission for Europe (ECE). This decision opens good prospects for deepening the contributions Israel had so far to ECE, as an observer, added the Romanian diplomat, who mentioned that Romania's constructive stands in the debates favouring Israel's admission to ECE was understood and appreciated.

Nicolae Dascalu, deputy director at Romania's Ministry of Foreign Affairs told the same conference that the agenda of the meeting of CSCE experts held at Geneva, over 1-19 July, included the last two of the three proposals Romania had made, namely the elaboration of a code of behaviour of states as regards their cooperation in respect with minorities; better information of the participants on the real situation of the minorities living in their countries; better inter-ethnic communication in each and every country.

Referring to the statements of the Hungarian Foreign Minister Geza Jeszenszky, published by the 23 July issue of the newspaper "THE WASHINGTON POST," the spokesman for the Romanian Ministry of Foreign Affairs Teodor Melescanu said at his daily news conference: "Romania's Ministry of Foreign Affairs has drawn up a package of initiatives for the normalization of Romanian-Hungarian relations and has conveyed to the Hungarian party the wish of the Romanian foreign minister of paying a visit to Budapest, to present the proposals Romania wants to make to the new Government of Hungary. As the Hungarian party did not agree with talks at the level of foreign ministers, as a consequence of repeated requests by the Romanian party, Romanian-Hungarian consultations were held in Budapest and Bucharest, at the level of secretaries of state. Starting from a draft drawn up by the Romanian party, a protocol was negotiated, including 38 concrete measures, whose starting point was represented by the initiatives of Romania. Although the representative of the Hungarian Ministry of Foreign Affairs, under-secretary of state Imre Szokai did not want to sign the protocol, following repeated requests by the Romanian party, the measures stipulated in the protocol started being effected.

The Hungarian party owes an answer to the Romanian party on negotiations to be started for the drawing up of a new treaty of understanding, cooperation and good neighbourhood, the draft of which was sent by the Romanian Ministry of Foreign Affairs to the Hungarian Ministry of Foreign Affairs as early as May this year.

Along the same lines, the Hungarian minister of foreign affairs owes an answer to his Romanian counterpart, as regards the numerous invitations he received, to make a visit to Bucharest.

The Hungarian party is late in ensuring the enforcement of the agreement on the creation of a centre of Romanian culture in Budapest and of a centre of Hungarian culture in Bucharest, as no building has been found so far for the respective centre in Budapest.

It is regrettable that the Hungarian foreign minister should minimize the good results of the consultations between the representatives of the two government, including the ministers of trade, defence, education, culture.

Foreign Consultants' Links With Securitate Revealed*AU2507173091 Bucharest ROMANIA LIBERA
in Romanian 23 Jul 91 p 1*

[Editorial by R.L.: "Sensational! Romanian Experts Consulted by the Government Had Links With a Securitate Firm!"]

[Text] An English company, solicited by the Romanian Government to provide consultations in connection with the future Privatization Law, has close links with a Romanian firm set up by the former Romanian Securitate in Cyprus in 1984! These revelations are the result of an investigation carried out by the ROMANIA LIBERA newspaper and will be published soon. The British company involved is "Coopers & Lybrand." The draft bill, worked out with its assistance, has come under severe criticism in Parliament where some 160 amendments were suggested. According to certain information, "Coopers & Lybrand" received about \$960,000 for their specialized assistance. Acting on the basis of information received—according to which the English firm in question is linked to the Romanian company "Crescent" set up by the Securitate—our daily has made a sensational discovery: In the conglomerate of small firms making up the "Crescent" group, "Coopers & Lybrand" indeed appears as the owner of 500 shares! One implication of this revelation is the possibility that the British experts in the firm have offered their suggestions for the draft privatization bill along the lines desired by their Romanian partners in the government, who are interested in a privatization that leaves the state still playing an essential role in the economy. This could be the explanation for the Romanian authorities' decision not to resort to auctioning in such a vital matter for the country.

Nastase, SFRY's Loncar Hold Talks 24 Jul*AU2507112191 Bucharest ROMPRES in English
1029 GMT 25 Jul 91*

[Text] Belgrade ROMPRES 25/7/1991—On Wednesday, July 24 talks were held in Belgrade between the head of Romanian diplomacy, Adrian Nastase, and his Yugoslav counterpart, Budimir Loncar.

Referring to the talks the Yugoslav minister of foreign affairs stated at the end of the meeting: We have

approached the bilateral relations and reached the conclusion that we should intensify our political contacts. The second subject of our talk was the regional cooperation in the broad framework of the development of the entire Europe and the CSCE. We dealt with the way in which we could improve stability and security in the region, and my colleague and friend Adrian Nastase had several proposals to this end. The third subject approached referred to the meeting of the Pentagonal and I informed Mr. Nastase about our intentions at Dubrovnik where that organism's prime ministers and foreign affairs ministers are to meet. Mr. Nastase expressed his interest for the multifarious collaboration as part of the projects to be set by the Pentagonal. I also informed my colleague about the current situation in Yugoslavia.

In his turn, the head of the Romanian diplomacy specified that what his Yugoslav counterpart stated could be considered as a joint statement. "It is not necessary for me to add anything to what Mr. Loncar said, it was an excellent statement," the Romanian dignitary said.

Referring to the interview which concluded the dense schedule of the bilateral contact in Belgrade, Traian Chebeleu, spokesman of Romania's Ministry of Foreign Affairs, emphasised the wide range of subjects approached and mentioned Yugoslavia's interest in the participation in the subregional collaboration, in the Black Sea collaboration included although Yugoslavia is not bordering the Black Sea. [as received] "Romania will back this wish of Yugoslavia," Traian Chebeleu stated.

Roman Chairs Weekly Government Meeting
AU2407201191 Bucharest ROMPRES in English
1821 GMT 24 Jul 91

[Text] Bucharest ROMPRES, 24/7/1991—Wednesday afternoon the government held its weekly meeting under the chairmanship of Prime Minister Petre Roman.

During the meeting the minister of commerce and tourism, Constantin Fota, read an account of foreign trade activities in the first half of this year and advanced proposals for the formation and allotment of the state's hard currency fund in the second half of 1991.

In the context, the prime minister requested that a consistent policy should be promoted and applied with regard to the way of allotting the hard-currency fund, and the due framework should be established for the recuperation of hard-currency expenses so that the attempts to disguised pilferage of such funds by certain economic agents be prevented.

A strict control over the said phenomena should be made by the financial guard, the prime minister underlined.

With the report presented by the minister of communications, Andrei Chirica, as a basis, an analysis was made of the strategy and aims of that sector's programme for development till the year 2005.

The government concentrated on a number of bills and resolutions regarding social welfare, like child benefits, the

benefits for the handicapped and their employment, the creation of the work force and unemployment department within the Ministry of Labour and Social Welfare as well as certain facilities to be granted to some categories of personnel in health units.

The organization of public administration was the object of other two bills regarding the attributions of territorial—county, town and communal—bodies as well as the way of preparing and holding elections to the local councils.

In order to support private enterprisers, it was decided that a consulting and service centre be set up just as owners' organizations for public corporations and commercial companies with state capital.

The government also approved of the reorganization of research and design institutes as commercial companies.

Ratiu Withdraws From World Union of Free Romanians

AU2407195291 Bucharest ROMPRES in English
1722 GMT 24 Jul 91

[Text] Bucharest ROMPRES, 24/7/1991—At a news conference held in Bucharest on Wednesday, the president of the World Union of Free Romanians (UMRL), Doru Novacovici, acknowledged a scission produced in his organization.

After mentioning that the UMRL represents the democratic Romanians in 24 countries as well as those who are members of 30 branches in Romania, Mr. Novacovici specified that the scission came up after the congress at Saint-Maur, Paris, when Mr. Ion Ratiu, former UMRL president, withdrew from the congress together with other 16 persons accusing the union of being "manipulated."

The speaker stated at the conference that Mr. Ion Ratiu had a tremendous contribution to the foundation of the organization and that he enjoyed its members' appreciation, but he could not agree to his stand after the congress, which led to the movement's scission.

Next, Mr. Novacovici referred to the UMRL programme which intends to reunite the Romanians everywhere in an effort of backing Romania and the Romanian people to build a democratic, multi-party society and to ensure the population a decent life. In the context he asserted that the UMRL could be an economic lever between the West and Romania and, in that framework, he announced that, after local elections, the organization's branches in France and Germany would launch a campaign of twinning settlements in Romania and in the two countries, which would not mean aid but economic cooperation on commercial grounds.

Referring to the political situation in the country, Mr. Novacovici and Mr. Mircea Munteanu, head of the UMRL German branch, expressed their mistrust in the current government, and opined that Romania was far from building a real democracy. They also showed that in an aide-memoire advanced to the government and the Romanian television they requested two-hour broadcasting a

week for the UMRL, but no answer had been given so far. They also underlined that the UMRL supported the creation of an independent television station apt to prove that Romania has actually embarked on the path of democracy. [sentence as received]

It was specified that, though the scission produced in the UMRL, there were eight branches in the country and more abroad that recognize the Paris congress and the new status voted on the occasion as valid since those who generated the scission were in minority. [sentence as received]

IRA Instructor for Serbian Voluntary Units
91BA0908B Belgrade NEDELJNA BORBA
(supplement) in *Serbo-Croatian* 13-14 Jul 91 p 6

[Interview with Dragisa Vukcevic, commander of Serbian volunteer units in Kosovo, by Milos Antic; place and date not given: "Cross Yourself, Receive Communion—and Go Into Battle"]

[Text] While on one hand the Albanians in Kosovo are more and more hastily making preparations to assist in the destruction of Yugoslavia—through which they think they will most easily achieve their own state—in the meantime the Serbians and Montenegrins, who until recently even hid when they were legally obtaining permits to buy pistols, are now increasingly more organized and open about preparing for a possible military conflict.

BORBA has the opportunity to present, exclusively for its readers, an interview with Dragisa Vukcevic, the commander and general of the Serbian volunteer units in Kosovo and Metohija, an economist, and the director of the Sloga hotel and tourism enterprise in Pristina. This 31-year-old, who is considered a successful businessman, consented immediately to talk to BORBA even though, as he said, he knows that many people will not like this.

[Vukcevic] There are Serbian volunteer units throughout Kosovo and Metohija. For the sake of better organization, we divided the territory into four areas: Pristina, Pec, Prizren, and Mitrovica. These centers are organizing the population in the neighboring opstinas. In each of these centers we have several thousand people, while in Pristina alone, along with the neighboring settlements, there were 1,840 volunteers before 2 July. All of these are brave and courageous fellows, as ready as a cocked rifle.

[Antic] Are you armed and uniformed, and where do your weapons come from?

[Vukcevic] For the time being, only some of us are armed and uniformed. I personally, and all of us are not satisfied with the extent to which we are armed, but that will be solved very quickly. What is important is that in every place in Kosmet [Kosovo and Metohija] there is at least one unit that is completely armed and trained for all combat operations. We acquired some of the weapons illegally, and the rest people acquired legally.

Baptism by Fire in Knin

[Antic] Have you had a baptism by fire?

[Vukcevic] Our first unit, the Pavel Durisic detachment, had its baptism by fire in Knin. We were there for eight days. We left illegally, but we legally made ourselves available directly to the SUP [Internal Affairs Secretariat] of the Knin SAO [Serbian Autonomous Province]. We kept watch, defended barricades, and, the most important thing, we became convinced that the Serbian people there are invincible.

[Antic] Is that all?

[Vukcevic] We are preparing for several concrete actions. We are not satisfied with the present solution to the

Kosovo problem. Whoever thinks that this is a solution should come and live here. We know that there can be no solution by peaceful means, especially not when thousands of Siptars [pejorative for Albanians] have left for Croatia and put themselves at the service of the enemy, from where they are shooting at our brothers, sisters, and children. They left their own families here for us. In the second place, hundreds of former Siptar leaders are strutting around here. In the third place, there are a lot of Serbian traitors. We will deal with all of them, since the authorities cannot or will not. If necessary we will go with those "black" three-man cells, which I would call the proud ones, who will not spare any means.

[Antic] What are you, a paramilitary or some other unit?

[Vukcevic] I want to be clear. We are an army, and not a paramilitary organization. We are the real territorial defense, because this legal one, the kind that we have had to date in Serbia, is only a farce when it comes to being prepared to defend Serbia, all Serbian lands, and all Serbs.

[Antic] What you are saying directly contradicts what was recently stated by the president of the Republic of Serbia.

[Vukcevic] I am not in favor of carrying out a mobilization in the first phase. We think that first of all the volunteers should take action, and that there should only be a mobilization in the second phase. There is nothing left of a soldier if his father and mother induce him not to go to defend the Serbian lands. We need people who will come, cross themselves, receive communion, and go into battle.

[Antic] Aren't you thus presenting many people with a dilemma: whether they should come and where, whether they should join volunteer units in order to avoid being traitors, or whether they should respond to the call for mobilization?

[Vukcevic] Our people are also responding to the call for mobilization, because at some time we all have to be under one flag. But we will not be under the one with the five-pointed star, or one without any Serbian emblems. Our people are responding, but they will not wear hats with five-pointed stars.

Interference in the Beginning

[Antic] Have you had any interference because of all this, and from whom?

[Vukcevic] In the beginning, we encountered all sorts of interference from the legal authorities—not to mention with respect to the procurement of weapons. Everything had to be done illegally. Our first trip to Knin caused confusion among the authorities, and the SUP opened a dossier on me. Now they have shut up. They keep quiet, and we keep quiet. Everyone does his own job.

[Antic] You are the one who began all this. Why?

[Vukcevic] I wanted to waken the drowsing Serbian people, to restore its pride and dignity, and to lead it to a glorious path. If not all Serbs and Montenegrins can do

this, then my employees, their relatives, and their friends can. It has been shown that many young people are with me.

[Antic] What are you—the commander of these units, a general, or something else?

[Vukcevic] My guys call me general. I say, "What kind of rotten general?" My business is to organize, guide, and train them, and help them to see with their own eyes. Others call me commander. It is all the same. That is the least important thing to me.

[Antic] And what do you consider important?

[Vukcevic] That we have a unified and competent command, a professional team of soldiers who will know how to lead this many people. We are working on that now, and soon we will have top military professionals.

[Antic] We hear that you are making intensive preparations, that you are training and not leaving anything to chance?

[Vukcevic] You are correct. On the firing ranges, close to many towns, our units are constantly training. They can be seen uniformed and armed. We, at any rate, are not concealing ourselves.

Instructor from the IRA

[Antic] Who trains your units? We have heard that you have some instructors from abroad?

[Vukcevic] That has not been known until now, but I will tell you. We had a man here for five days from the IRA, a top professional. Now we will bring instructors from Knin, the well-known "Kninjas." That is enough about that for now.

[Antic] Do you recognize JNA [Yugoslav People's Army] ranks?

[Vukcevic] Only as one of the conditions for someone getting some position, but not necessarily. Patriotism, heart, and courage are more important to us.

[Antic] Do you personally have any rank?

[Vukcevic] No, what do I need with it?

[Antic] What led you, as a young man, to all of this?

[Vukcevic] The fact that we in Kosmet had been forgotten, abandoned, both by the present ruling party, the party ruled by fear, as I call it, and tomorrow by any other party as well.

[Antic] You consequently agree on this with one of the Albanian leaders, Vetou Suroi, that the Serbs and Montenegrins here, as he stated, are the hostages of Serbian policy?

[Vukcevic] I cannot support Suroi, as a Siptar, but unfortunately he is very close to the truth on this. The way that Serbian policy is behaving toward Kosovo now, with respect to both security and the economy, is not any kind of solution. Those people who are responsible for security are interested in having peace, while those others are here

for three months, and the arrival of these so-called big economic experts, who buy a car in just three months, is not any sort of help. We really need experts, and not temporary ones, but rather patriots, who will bring their families here and fight with us.

[Antic] When you talk about this, you act rather angry.

[Vukcevic] I am bothered most by the fact that the present Serbian policy is allowing the Siptars to do what they want. They meet openly, hatch plans against Serbia, and set traps for us, while people watch calmly. We get the impression that a compromise with them might be reached in spite of everything. We do not want that and we will deal with it as we know how.

[Antic] The leaders of the Albanian parties are stating that the Serbs do not have anything to seek in Kosmet, because a great deal of misfortune awaits them and they will soon be destroyed. Does this mean that the Serbs are arming themselves out of fear?

[Vukcevic] That is simply not the truth, and the Siptars know it quite well. If that were the case they would have struck long ago. As for why we are arming ourselves, that is also well known, and the damage to us in that respect was done by the Socialists who issued pistol permits to the Serbs here; they bought them even though they are poor, and we know what a pistol is good for. We who are arming ourselves are prepared for something completely different.

[Antic] Have you thought about the fact that everything you are doing can have counterproductive results in the functioning of a lawful state?

[Vukcevic] No, I have not, and it does not interest me at all. We have to deal with the Siptars and Asiatics once and for all. Everyone has to know that the Kosovars are not just the ones living here at present; all 12 million Serbs are of Kosovar origin.

[Antic] Are you a nationalist, Mr. Vukcevic?

[Vukcevic] It is good that you asked me. Yes, I am a Serbian nationalist, and proud of it. I would like to have all Serbs be nationalists like me, because that would help the Serbian people a great deal.

[Antic] Have you had trouble because of it?

[Vukcevic] Yes. I was almost ordered to resign from my duties as director of Sloga. Everything went in two directions along vertical lines. The party in power here does not like me, nor does its advocate "Bozur." Then everything went through the Operational Body for Kosmet, headed by Dragan Nikolic, and all the way up to the Serbian Assembly. And then it all came back to me, because I was told that I was disrupting certain relationships; people rose up and said that they would not let me be replaced. For the time being, they have not succeeded in driving me out. We will see what happens next.

Data on Preparations for Uprising in Kosovo
91BA0918A Belgrade POLITIKA in Serbo-Croatian
14 Jul 91 p 14

[Article by Milovan Drecun: "Preparations of the Skipetars for an Armed Rebellion"]

[Text] Attention needs to be paid to two things. First, as "northerners" see it, disassociation will be carried out incomparably more easily and rapidly than association (which, incidentally, will take decades and many lives).

Second, while the "brothers" are monolithic in their desire to have sovereignty and power in no way limited (by the Federal Government) which could easily lead to absolutism, "unity" has its own hotbed of crisis which, concealed in the shadow of the "northerners" and D-Day, is preparing the opening of a so-called southern front so that in alliance with the northern secessionists they might take the "U" out of the international abbreviation "JU."

It is not only Slovenia and Croatia that are preparing for disassociation, but also the Skipetar national-separatists. Thus, one activist of the "Midjeni" KUD [Cultural and Artistic Society] from Ljubljana said in a conversation with the leader of the DSK [Democratic Alliance of Kosovo] about Slovenia's secession: "We Albanians must wait in readiness for that day," boasting that the Albanians in Slovenia are ready, but expressing a fear that there are many hang-ups in Kosovo.

The Urging of an Uprising

In early May of this year, there was a conflict between leaders of the DSK and the other parties over the issue of choosing the strategy in the struggle ahead to achieve the secessionist goal—separation from Yugoslavia and annexation to Albania. That is, Malici, Demaci, and Nusi, as is well known, advocate commencement of armed struggle, while Rugova believes that this can be achieved by political means. The upshot of that conflict was that some chapters of the DSK grew to become miniparties. The DSK chapter "Suncani Breg" formed a party of national unification headed by Ali Demaj, the chapters in Glogovac and Pec joined the "republic charter," whose leader is Rila Luka. That is why Rugova removed from the DSK leadership the individuals who opposed him and formed a new Main Committee.

The advocates of an armed uprising retaliated by creating a joint front in which Veton Suroi, president of the Parliamentary Party, brought together the Christian Democratic Party of Kosovo, the Social Democratic Party of Kosovo, the Committee for Protection of Human Rights and Freedoms, the Democratic Action Party of Kosovo, the Kosovo Women's Forum, the Forum of Albanian Intellectuals, and other smaller parties and associations. This was also an expression of disagreement with the policy of Rugova, who "merely makes futile statements which interest hardly anyone anymore." Suroi recently said in Decani that the Albanians will no longer put up with terror from the Serbs and are ready for resistance. He suggested a "hunger protest" (banging with spoons every day at a certain time).

Adem Demaci, the revered leader of the military wing of the Skipetar national-separatists, who does not support Rugova and has been advocating military preparations and "secret mobilization," is constantly saying that the most important thing now is to organize militarily and put weapons in the hands of Albanians. Nominally, he plays the role of president of the Committee for Protection of Human Rights of Albanians in Kosovo.

The Skipetar national-separatists are making serious preparations for armed rebellion in Kosovo, which, it was stated by the president of one chapter of the DSK in Decani, will begin when the decision to that effect is made by the DSK leadership. The DSK chapter presidents are those most responsible for commencement of the rebellion. In the Decani region, for example, this is Cekaj Hajdaj, and in Lipjan, it is Sami Ljuma, who is tied up with Demaci and is ready to activate teams of terrorist commandos. In Serbia, paramilitary units (a hundred or so members) of Albanian national-separatists have a staging ground for mobilization in the areas of Hajducki Izvor and Zuckova Kula.

A secret mobilization of "trusted personnel," organized by the DSK, took place on 12 and 13 May in Podujevo. In the village of Krpimej, the mobilization was directed by a staff that included Djafer Hoti, Ramadan Jonuz, and Berat Sabani. In addition to weapons, the Skipetar national-separatists are also acquiring in Slovenia and Croatia more and more bulletproof vests. Rumors are also spreading that a terrorist group of Islamic fundamentalists called the "Gray Wolves" has been formed in Kosovo and is advocating the creation of an "Islamic state" in the Balkans that would consist of Bosnia-Herzegovina, the Sandjak, parts of Montenegro and Macedonia, Kosovo, and Albania.

Zatric Abid, former chief of staff for Mahmut Bakali, who is also Dzavid Nimani's brother-in-law, has an important role in the military organization of the Skipetars.

The Role of Slovenia and Croatia

In preparing for an armed rebellion in Kosovo, the Democratic Alliance of Kosovo has registered all Albanians fit for military service and assigned them to military units from squad to detachment. Skelzec Malici is to be the commander of those paramilitary structures. Units have been formed from members of the former provincial SUP [Secretariat for Internal Affairs] for commando and countercommando operations. Their members are in Slovenia and Croatia, where they are completing or have already completed various special courses. Although the Skipetars in Kosovo are well armed, once the armed rebellion is launched, the plan of the national-separatists calls for aid in the form of arms to reach them from Croatia and Albania.

Neighboring Albania is also making intensive preparations for armed rebellion in Kosovo. Its intelligence service, the Sigurimi, has set up intelligence stations in the border zone with Yugoslavia to monitor and guide the armed rebellion ("uprising") that is to come.

In Albania, they have been preparing for years, arming and training military and semimilitary formations for terrorist

commando operations on our territory so as to aid the separatist movement in Kosovo, especially in what is called the third phase—the armed uprising in Kosovo, when those formations would be infiltrated onto the territory of Kosovo. Under the leadership of the Albanian secret police, the Sigurimi, teams have also been formed for special operations on the territory of the SFRY. Those intelligence teams consist of three to five people who are very familiar with our territory and have relatives and friends in Kosovo. Their task is to gather information and set up a network of agents.

Commando scouting groups are made up of young emigres and Albanian citizens who originally came from Yugoslavia. Within the group, they carry out special training for assassinations, kidnappings, and burglaries. The mobilization nuclei of Albanian operational units have a strength of 20-30 emigres originating from Yugoslavia, who in a particular situation would be infiltrated onto the territory of Yugoslavia. The mobilization nucleus develops a unit of battalion strength, which would operate on our territory as a whole or in parts. The nucleus is essentially the officer structure of that battalion, which, according to the plans of the Sigurimi, would be staffed by recruiting Yugoslav citizens of Albanian origin.

Albanian Agents in Kosovo

There are three mobilization nuclei in Albania which are supposed to operate on the territory of Yugoslavia. They are in Fijer, Elbasan, and the village of Mamuras near Ljaca. Their principal task is to establish government authority in certain areas of Yugoslavia, with the emphasis on Kosovo.

The mobilization nuclei are infiltrating their agents into Kosovo. Of all the illegal crossings into Kosovo detected, about 10 percent have been sent on a mission. Some of them have been assigned to illegal intelligence in Kosovo villages. The subject of intelligence information, is, of course, the creation of Greater Albania.

The mobilization nuclei mainly consist of Yugoslav citizens of Albanian origin who fled to Albania. Between 1971 and the end of 1988, 510 citizens of the SFRY of Albanian nationality fled to Albania, and the Albanian police returned 400 of them. They served Albania in establishing ties with hostile forces in Kosovo. Between 1971 and 1975, 21 citizens of the SFRY were discovered in Kosovo who had been recruited by the conventional methods of the Albanian intelligence service, and 44 returnees from Albania who had signed commitments that they would be loyal to the Albanian Worker Party and that in Yugoslavia they would fulfill the promises they had made and would act according to instructions received in Albania. Some soldiers deserted from the YPA [Yugoslav People's Army] to Albania and were then forced to return to Yugoslavia. They admitted that they had been interrogated by the Albanian intelligence service and that they had been trained for hostile activity in Yugoslavia and in the YPA, but some also signed a statement that they would work for the Albanian intelligence service.

The creation of special forces to operate on the territory of the SFRY is yet another piece of evidence of the determination of the Albanian leadership to use even possible military intervention under certain circumstances to realize its territorial claims against Yugoslavia.

Peace Demonstration Held in Zagreb

LD2607051491 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 25 Jul 91

[Excerpt] With a minute of silence for the victims of all the conflicts in our country so far, a peace demonstration started at one minute to noon, at Josip Ban Jelacic Square in Zagreb.

Grozdana Cvitan reports: Today's peace demonstration at the square is a response to the call made at the meeting for peace, coexistence, and democratic solutions, which was signed in Sarajevo by representatives of 25 peace movements and organizations. In their call for a peaceful uprising, they support the stoppage of all armed conflicts, respect for the rights of soldiers guaranteed by law, and the control by parents and the peace organizations over the realization of these rights. They demand that mobilization of reservists and further armament be stopped immediately; that the poverty we are sinking into be ended by numerous actions; that new paths for cooperation be opened; that the international community be included in the process of resolving the conflicts in our country; and that the talks which concern our future be made public. An appeal for aid and support for Croatian efforts, which will be sent to U.S. President George Bush, was signed by 1,000 citizens of Zagreb. [passage omitted]

Croatian Ministers on Serbian Uprising in Banija

AU2607150791 Belgrade Radio Belgrade Network in Serbo-Croatian 1300 GMT 26 Jul 91

[Report by Vesna Knezevic]

[Text] According to official Croatian sources and the latest information, (774) policemen and Guardsmen and 24 civilians have died since last August, while 227 members of the Ministry of Internal Affairs and the Guard and 94 civilians have been wounded in armed fighting in the republic. Vesna Knezevic has a report from Zagreb:

[Begin Knezevic recording] Onesin Cvitan and Milan Brezak, minister of police and his assistant, announced sometime before noon that, quote, a terrorist mortar attack on Glina began at 1000 [0800 GMT], end quote. Almost half an hour after this, in talks with General Uzelac, the Ministry of Internal Affairs received assurance that if necessary military units would act against the attackers. After that, Cvitan and Brezak claim, the attack spread to Kozibrod and there was no more contact with General Uzelac nor further information on any reaction by the Army.

Cvitan continued by explaining Croatian relations with the Army. He said that there was no military coup in Croatia, but apart from official channels in the Army hierarchy, certain commanders in some barracks are using parallel, irregular channels of direct communication with certain

factions in the Army leadership. Cvitan called this specific kind of military coup a shortcut to the top.

Citing a statement by the republican government that if the Federal organs refuse to investigate the Erdut incident Croatia would officially consider the federal Army an occupying force, Cvitan refused to comment on what steps the appropriate ministries would then take.

In reply to a question on whether the forces of the Ministry of Internal Affairs have ever initiated action in Croatia, Cvitan said that they had against terrorists but not against the Army. In reply to a question as to whether the republican headquarters is losing control over some units of the Ministry of Internal Affairs in the field, Cvitan replied that headquarters still has control over all the forces.

Mutual mud-slinging between the commanders of the Guard and the police in Osijek and Vinkovci was interpreted by Cvitan as differences in behavior until defense is managed more smoothly.

In regards to tomorrow's Serbian uprising in Banija, which has been unofficially announced, Cvitan said that his Ministry has this information but it also has contrary information.

In an interview with Radio Slovenia, Slaven Letica, former adviser to Franjo Tudjman, confirmed that he had been called by the government and said that the ministers for defense and police, Djodan and Cvitan, would be changed in the upcoming government reshuffle. [end recording]

Problems of Forming Serbian National Army Analyzed

91BA0916A Belgrade NIN in Serbo-Croatian
12 Jul 91 pp 9-10

[Article by Aleksandar Tijanic: "General's Blues"—first paragraph is NIN introduction]

[Text] The territorial defense force and YPA [Yugoslav People's Army] cannot be the mainstays of a civil, democratic, modern, and economically and politically solid Serbia, but rather only an extension of the prevailing ideology through the same means.

After the Yugoslavs, Yugoslavia, the Yugoslav Communist Party, and the Yugoslav Government, the next logical step is that the Yugoslav People's Army, too, should suffer misfortune! Because of the very nature of that organization, however, it is questionable whether or not the "chain of misfortune" will be broken here. This issue also gives rise to the biggest Serbian question of our day: whether to form our own army or, on the eve of war, to rely on Kadijevic's recruits.

A military review of a Banat brigade of the territorial defense force of Serbia (approximately 2,000 people) which, contrary to custom, was performed by Slobodan Milosevic, is a clumsily staged attempt to reassure television viewers on this side of the front through a classic display of the type of which we have had our fill for five decades. But for the analysts sent to the event, the "Banat

rizlig" is simply additional cause for alarm. Specifically, on display at this show was an outdated unit, with shabby weaponry from the 1960's (recoilless guns and guided antitank missiles), without mechanization, without adequate communication systems, without armored personnel carriers, without military uniforms, without haversacks with equipment and food, without camouflage, and obviously without the prospect of doing anything outside its own territory or performing any tasks that could not be carried out by force of sheer numbers. From the point of view of modern combat criteria, this brigade is equivalent to a partisan unit at the beginning of the war that has yet to seize a little equipment and weaponry from the Germans or from former domestic traitors.

But Serbia's security is guaranteed, because, as a high-ranking official in the ruling party says, "there are 270,000 such soldiers in the republic's territory." That is precisely what concerns us, because in the past the territorial defense forces (poorly trained and unprepared for difficult conditions, nighttime action, street combat, and rapid transport) have been considered a burden on the efficiency of the active Army. The burden is all the greater if the YPA, in its own words, is in so-called "house detention" in the territory of Slovenia and Croatia. The combat readiness of the remaining 20,000 soldiers below the Alps (the others—approximately 3,000—have deserted, been injured, been killed, or are recuperating at home from the shock of the blitzkrieg) cannot be increased by the decision of "Napoleon" Jansa.

In Croatia, approximately 50,000 soldiers are under continuous surveillance by more than 120,000 policemen and national guardsmen. The majority of the large bases have been blockaded, or trucks, tankers, and mines have been made available in order to immediately block the departure of armored vehicles and infantry from the barracks. In the case of Zagreb and Osijek, rooftop snipers are also lying in ambush, and it has also been seen that recruits who have not yet taken the oath, kill when they find it appropriate. In the outstandingly prepared propaganda war—Kadijevic has lost it because his people from the Political Administration to this day believe that the press, which is in "their territory," should not print any disagreeable articles for the generals, but rather that they are capable of presenting to the world the tragic situation of the children who are entrusted to them—the Croatian media, who, with rare exceptions have accepted the theory about an "occupying army," are continually talking about entire units of deserters.

According to them, approximately 1,000 soldiers have requested "asylum" in Croatia thus far, including 100 officers ranging from colonels to sergeants and 20 fighter-pilots, while Croats and Slovenes are leaving the Navy at a rate of 20 officers a day. The extent to which these numbers are reliable is questionable, but it is true that the president of the Croatian Assembly, the legendary Zarko Domijan, calls desertion from the YPA the holy duty of every true Croat. Reservists and members of the territorial defense forces of Bosnia and Montenegro have asked for guarantees that they will not be used in areas outside their

home republics; the VMRO [Internal Macedonian Revolutionary Organization] has promised Macedonians amnesty if they resist Kadijevic's calls for recruits. Aside from respectable exceptions, Albanians are surrendering even before the fighting begins. Everything boils down to the reservist Serbs, who in recent nights have moved from a Belgrade burdened by depression due to the Federal state's military disgrace (oh, how we can identify) to Sid, in a convoy, like to a wedding. To the horror of experts, it was possible to observe the speed of mobilization, that charming Serbian attitude towards discipline, and the joy of the reservists who, from behind their axle grease, "thawed out" Sherman M-4 tanks manufactured in America 50 years ago. The only things in the homeland are museum pieces.

Thus, the Army does not have disposal over "free territory" in two republics, territory that it could use to cover its rear in any conflict with the 80,000 Slovene territorial defense soldiers, and twice now with more Croatian guardsmen and policemen. If the dropout rate from the YPA continues at the same pace, if the "non-Serbian nations," as they are already being called in the Croatian media, leave it, then an unparalleled situation will arise. Instead of 100,000 recruits and 79,000 officers, it will be the only army in the world where the number of officers exceeds that of soldiers?! Kadijevic does not know how many soldiers have torn the five-pointed star from their helmets and which tanks should be padlocked on the outside—so that the crew does not run off (because he actually does not know what to do with them either)—and where the enemy is.

The Army has irretrievably fallen prey to an identity crisis (which of the generals today would dare to even talk about obligatory membership in the League of Communists-Movement for Yugoslavia?), and thus to a complex of losses, ethnic metastasis, and uncertain professional mutation. The political, economic, and professional confusion in the Army is dramatic. The mid-range officer cadre, which has expressed its dissatisfaction in recent years, is now visibly pitted against the generals and is using bitter words such as "betrayal," "incompetence," "unprofessionalism," and "indifference to the people"! If we add to this the collapse of the military economy and the negative reactions by Serbian public opinion due to the failure of "Operation Jansa," then this is a time when we are seeing the end of the myth surrounding the Army, the factory of the Yugoslav man—if that myth has even survived among those who created it.

Kadijevic is now gluing the mosaic together, and his only hope is that his system will withstand the test in Slavonia and Krajina, where ardent HDZ [Croatian Democratic Community] forces, wanting to solve the "Serbian problem" once and for all, are firing on the Army in cold blood, just as in Zagreb, Osijek, Tenja, Borovo Selo, the bridge at Backa Palanka, Pakrac.... When everything that has been said is considered, when it is clear that only the European Community is still giving Yugoslavia artificial respiration—although how long it will insist on doing so is questionable—it appears that the question of whether

Serbia needs a Serbian army if there are already Slovene and Croatian ones, is completely superfluous. Kadijevic's army, whether he wants it to or not, is moving towards a "pure" ethnic composition, or to be more precise, towards a pure Serbian composition, but still with a Yugoslav orientation. Let there be no mistake about it: It will continue to have a few Slovenes, Croats, and a number of Muslims and Macedonians, but what does that mean from the point of view of the real possibility of direct conflict between Slovenes and Croats on the one hand and the Army on the other?

There is military justification for the creation of a Serbian army; according to its proponents, it would guarantee security for Serbs outside Serbia so that no one could impose a political choice on them by force, nor "thin them out" based on the criterion of whether they are "upright" and other types of Serbs. Why doesn't Milosevic take advantage of the situation and, through the formation of this type of army, quash the initiative by the opposition within Serbia, letting Tudjman know that he regards an armed attack on the Serbian population in Croatia as a declaration of war against Serbia? The answer is not that complicated. Milosevic firmly believes that the generals can bear the burden of the defense of Serbs in Croatia, is ceding this responsibility to them, and in exchange is offering a moratorium on the creation of a parallel Serbian army. His political logic is well-founded: If there is no Yugoslav Army, Slovenia and Croatia are automatically transformed into international entities at war with Serbia. If they are clashing with the representatives of some sort of Yugoslavia, then it is a matter of secession and the rebels are not entitled to even a fraction of the Army's property, which according to a rough estimate is worth more than \$50 billion. This weaponry, especially the tanks and airplanes (which none of the states here will have the resources to buy), will belong to the true successor of Yugoslavia. Moreover, a transnational army guarantees that there will be room for Muslims and Macedonians in a truncated common state—if such a thing is to exist.

This is one dimension of the problem. Another is utterly wrapped up in internal politics: A Serbian army, under these circumstances, could be neither Partisan nor Chetnik. Neither in peasant coats nor in Tito-style garb. Being ideologically neutral, it would be professional, with a civilian war minister, and a relationship between the state and army would be introduced to the Serbian state that is known as the "Mediterranean model" and that exists in genuinely democratic countries such as, say, Spain, France, Italy, or Greece. If the YPA, through the unfolding of events is transformed into a Serbian army, then it will inevitably bring with it the model of relations from the disintegrated Yugoslavia, with ideological baggage, with outdated military tactics, with an ossified military bureaucracy, with a completely archaic structure, and with an enormous number of active and retired army officials who would hunger for the preservation of Serbia, in a political sense, as a "little Yugoslavia."

Such a future is possible for this type of army only in this type of Serbia, so that the pact between Milosevic and

Kadijevic is completely logical. The Serbian opposition is anticipating this and shrewdly advancing the question of whether a Serbian army would not shatter this position of the defenders of the existing distribution of power. If the Army is unable to carry out its part of the deal—preserving ethnic peace until a political settlement is reached—Milosevic could have much greater problems than he does today within Serbia. It is his personal fortune that the party leaders who have announced their own “armies” still have more vendors of party trinkets on Knez-Mihailova street than volunteers for combat. If the situation on the front changes, no one is able to predict how Serbia, lulled to sleep and unprepared for war, will react. But there is no doubt that the situation will change.

Finally, the Army question has a price: Milosevic knows that under the present circumstances Serbia does not have the money to equip its own army. A professional Serbian army of 50,000 first-class soldiers would cost approximately \$2 billion a year, not counting the cost of procuring modern weaponry. In addition, one must consider that in the event of a massive conflict with Croatia, Serbia would be faced with a wave of refugees that would be no less than 100,000 people, to which one might have to add the families of all the officers from the northern republics and a number of other Yugoslavs who would want to save their skins from a national inquisition.

Thus, Milosevic does not want a Serbian army because, one might say, he does want to change the nature of Serbian society. The opposition, especially Vuk Draskovic, is stubbornly insisting on just such an army, because he knows that it would deideologize Serbia. Serbs outside Serbia are more or less indifferent, as long as there is someone to help them, because under conditions of continual gunfire, there is no such thing as a good or bad army. There is only an effective or an incompetent army. Especially since, as the old-timers say, the time is coming when the rain will fall on the Serbs, and all Serbs, regardless of where they live, will get wet!

Montenegro Plans To Strengthen Defense

91BA0906B Belgrade BORBA in Serbo-Croatian
11 Jul 91 p 7

[Article by D.V.: “Mobilization Below Expectations”]

[Text] Titograd—The night before last the Presidency of Montenegro held a special session at which it assessed that the situation facing Yugoslavia today, regardless of the stability and peace reigning in this republic, requires that Montenegro activate its defense and self-protection forces and means as much as possible.

After the meeting, Presidency President Momir Bulatovic stated the most important assessments and conclusions in the form of an announcement.

While noting that in addition to several activities being successfully carried out within the framework of Montenegro's state defense plan, mobilization of the reserve force of some JNA [Yugoslav People's Army] units had also been carried out, the Presidency, on the basis of the results of the mobilization to date, felt that the response from

military conscripts had not been at the expected, satisfactory level, so that the reinforcement of the units partly had to be carried out from the reserve of military conscripts.

Hard To Cope

In the course of conducting training, a considerable number of military conscripts were completely politically disoriented because of the constant and unpredictable changes in the country, with which it is very hard to cope. Because of that, instead of the development of patriotic feelings, room has been created for political manipulations and speculations among the soldiers and officers in the reserves.

The mobilization also showed that the fragile line of peace in Montenegro may be threatened most of all and first of all by the open display of nationalism and separatism. Particularly evident was the nationalistic behavior of military conscripts of Albanian nationality from the area of the Bar and Ulcinj opstinas.

The biggest oversight, however, in the opinion of the Montenegrin Presidency, was made in carrying out the orders that military conscripts were to state whether they were prepared to carry out the tasks assigned to them, or, if they were not, to leave their units. In the course of this the orders changed and often reached the military conscripts with a distorted meaning. Thus, some members of the reserve force did not have a real opportunity to make a decision, because it was not clear to them what they were supposed to fight for and what they were supposed to defend.

On the basis of the assessments made, the Montenegrin Presidency adopted the following conclusions:

1. All soldiers and officers who turned in their weapons should be given an opportunity to stand in formation in their units again and honorably fulfill their most urgent patriotic duty.
2. In units that are conducting combat training and preparation, it is necessary to create living and working conditions that are as normal as possible, and to show a high degree of understanding for the real needs of their members and the vital problems of their families.
3. The reserve force of the military units should be dismissed as soon as a well-founded insight is achieved into the extent of their training, their combat readiness, and the time needed for the unit to go into action if the need arises.
4. The JNA units composed of reserve military conscripts from Montenegro will not be used to attack any Yugoslav people or nationality whatsoever, and in particular, will not be involved in Slovenia. Their basic purpose is the defense and protection of Montenegro, and, accordingly, they will be involved in Montenegro or in territories inhabited by those Yugoslav peoples who want to remain in Yugoslavia.

Force Against Force

5. In accordance with their constitutional powers, the Presidency and government of Montenegro, as those

responsible for defense preparations in the republic, represent bodies without whose knowledge decisions cannot be made on the involvement of the human and material resources of Montenegro. In all respects, cooperation and coordination with the Supreme Command and the staff of the Supreme Command of the SFRY armed forces will continue to be realized.

Momir Bulatovic, president of the Montenegrin Presidency, addressed the citizens and especially military conscripts. He emphasized that although peace was our most urgent political goal, and although there was still room for rational political and governmental solutions to the Yugoslav crisis, at every moment we had to be ready to protect and defend the peace, property, and personal safety of all citizens of Montenegro and the members of those peoples or parts of them who expressed willingness to live with us in a joint state, in mutual understanding, equality, and harmony.

Around us, according to Bulatovic, there are many people who feel that they can achieve their political ambitions and goals by arms and force. One can only respond to force with force, however. Montenegro has never surrendered in its history, and it has never left the helpless without protection. "I know for certain that it will not do so now either," stated Bulatovic.

[Box, p 7]

**Bozidar Babic, Montenegrin Defense Minister:
Favorable Response to the Presidency's Announcement**

After the announcement from the Montenegrin Presidency, which elicited an extremely favorable response in the republic, many reservists who had stated that they were not in favor of going outside Montenegro's territory immediately began to return to their units on a massive scale, BORBA was told by the Minister of Defense, Col. Bozidar Babic. "One has to understand them, because in this general nightmare, they misunderstood some poorly phrased questions from their command personnel. The essence was not explained to them, and so it is not surprising that many of them refused to be reservists. Now everything has been clarified by the Presidency's announcement, which came at the right time. The most important thing is that the situation regarding the mobilization of the reserves has begun to proceed normally," Col. Babic stated, adding: "We have information that those returning from the reserves are often not treated properly. They are even threatened with dismissal from their work organizations. That is not good. Consequently, one should have complete sympathy for reservists in work organizations and local communities, as well as elsewhere, without addressing various unpleasant epithets, especially since they return immediately to their destination."

[Box, p 7]

Seselj Undesirable in Cetinje

Yesterday, a group of citizens from Cetinje sent a message to the Montenegrin Ministry of Internal Affairs in which they warned that it had been announced that "the Cetnik Seselj would come to Cetinje with his Cetniks on St. Peter

Cetinjski's day, which is celebrated on 12 July." In connection with this, they called Minister Pavel Bulatovic's attention to the fact that in that case there could be undesirable consequences, and asked him to prevent anyone wearing a Cetnik cockade from coming to Cetinje on that day.

The citizens reminded the minister that Cetinje was a hero-city, and that it would be difficult for it to tolerate debaucheries like those in Precista Krajina and Bar.

"In the hope that you will undertake all possible measures so that Cetinje will not be provoked on that day, at the same time we call your attention to the fact that in informing you like this we refuse to accept any responsibility for the possible consequences," the end of the message stated. It was signed on behalf of the group of citizens by Prof. Dusan Gvozdenovic.

Kadijevic, Adzic Statements Contrasted

*91BA0906A Belgrade BORBA in Serbo-Croatian
11 Jul 91 p 9*

[Article by Vladan Marjanovic: "The Variation of Military Rhetoric"]

[Text] Is there really a division within the Yugoslav Army leadership between a "moderate" and a "hardline" faction, as one hears in public, or is this only an arbitrary assessment derived from "semantic" analyses of the statements by the two generals who allegedly personify those factions? The recent public statements by the chief of staff of the Supreme Command of the SFRY's armed forces, Army General Veljko Kadijevic, and a member of that same body, Lieutenant General Blagoje Adzic, the chief of the general staff of the armed forces, do not give too much support to either of these theses, but apparently still do not make them quite out of place, either. A comparative analysis of Adzic's statement on 2 July and Kadijevic's on 6 July could be characterized by something like "the same thing, just a little different."

Those nuances—primarily terminological, one might say—can be seen even in the explanation of the formal basis for the activation of Yugoslav People's Army [JNA] units in Slovenia. Kadijevic only notes that the "JNA units in Slovenia were engaged, in accordance with their constitutional obligations, in preserving the integrity of Yugoslavia, and also on the basis of the decisions by the Federal Chamber of the SFRY Assembly and the decisions of the Federal Executive Council," while Adzic states that "in accordance with the Constitution and the decisions of the highest authorities of this country, we set out to restore the regime on the Yugoslav border, which had been violated by a fait accompli policy and by unilateral actions."

Slovene Leadership Started First

The very circumstance that the Army found itself in wartime operations is described by Kadijevic as follows:

"The leadership of Slovenia, which was the first one to start to break up Yugoslavia several years ago, waged a real war against the JNA. The Slovene leadership's goal in this

war was not only the definitive secession of Slovenia, but also the complete erasure of Yugoslavia from the political map of the world."

And Adzic says:

"Unfortunately, a war to defend the country was imposed upon us. Consequently, we had to accept the war, because the alternative—surrender or treason—does not exist for us."

Concerning the enemy by which the JNA was confronted, Kadijevic states:

"With constant lies and deceptions, they treacherously embarked upon the brutal liquidation and mistreatment of members of the Army and the members of their families. We ask ourselves—on whose account is this being done?"

Adzic is even more bitter:

"They are treacherous and ruthless. They are acting in the most brutal way. They do not spare anyone, not even young children, women, and their former neighbors."

Concerning the extent to which the inadequate assessment by the Army leadership influenced the military outcome of the conflict, Kadijevic acknowledges that "such arrogant and ruthless attacks surprised us."

Adzic explains:

"No one in the Army could realize that they were in a conflict with those who hate Yugoslavia and the JNA from the bottom of their souls. Trained for decades in the spirit of Yugoslavism, we could not even believe that so much evil and hatred could be gathered in one place and could manifest themselves in such forms."

"We were also caught by surprise by the breadth of the treason that was committed," Kadijevic says. "That is our mistake."

Adzic is more specific about this:

"There was treason in our ranks, most of all among Slovenes; and these were not small acts of treason. Individuals even surrendered entire units. They were hoping for a repetition of 1941."

The two generals also referred to the place and role of the Federal authorities. Kadijevic speaks at greater length:

"It was demonstrated that almost all of the Federal authorities are not able to cope with the difficulty and seriousness of the situation facing Yugoslavia. This also applies to their competence in carrying out the country's defense policy and their obligations to the armed forces. Through the adoption of late and incomplete decisions, problems accumulated that could have been solved relatively easily in the beginning."

Adzic is brief:

"At the same time the Federal authorities created constant problems for us by seeking negotiations, while they [the enemy] were attacking by all available means."

We Expect the Support of Patriots

As for how the events in Slovenia affected the situation in the JNA, Kadijevic emphasizes:

"In the task of ensuring peace, the members of the JNA are consolidating their ranks and increasing their combat readiness. We will be maximally involved in this task. We expect the support of all patriotic forces and the prevention of those who are calculating on the basis of narrow-minded nationalistic or party interests."

And Adzic is also convinced:

"It was hard for us to endure all this, but we recovered and adjusted. Many illusions vanished. We have carried out the necessary personnel changes and strengthened our forces."

Finally, the four-day gap between the two statements caused a difference in the announcements with which the messages ended. Adzic stated on 2 July:

"We are doing everything to protect the lives and dignity of JNA members. We will force the enemy to respect the cease-fire and stop his arrogant conduct. We will also find those who are now hidden in their lairs. One does not achieve victory through deceptions and hatred. We will establish control, and bring things to an end."

And Kadijevic (on 6 July):

"The JNA has already fulfilled all the demands that were requested of it. Since the leadership of Slovenia is ignoring the Presidency's decisions, and the attacks upon JNA members are continuing, the staff of the Supreme Command will propose appropriate decisions to the SFRY Presidency in accordance with this. At this time, the most important thing is to achieve a political agreement as soon as possible and have the transformation of Yugoslavia carried out by peaceful means, without further bloodshed."

Settling of Division of Foreign Debt Urged

*91BA0920A Belgrade POLITIKA in Serbo-Croatian
13 Jul 91 p 7*

[Article by Andjelka Cubrilo-Kosovac: "How the Foreign Debt Should Be Divided"]

[Text] While the FEC [Federal Executive Council] is saying that a deadline of three months set for the moratorium on disassociation of the two Yugoslav Federal units is too short to permit all three conditions for obtaining foreign aid (peace, the functioning of the system at the national level, and commencement of talks about the destiny of Yugoslavia), while most of the "ordinary" world thinks that the time is too long for those who do not want a divorce without fighting to have an opportunity to make better preparations for it, economists, coolheaded people, are warning that the balance sheet for division has to be drawn up in the next three months!

We were unable to get an answer to the question of how this job should be done from the competent services of the

FEC. Slovenia, to be sure, has sent to the Federal Government a request to that effect, but, they say in the FEC, that is not a job that can be done overnight.

What does science think about the balance sheet following the increasingly evident disassociation of Slovenia and Croatia? We put the question to Dragana Djuric of the Economics Institute in Belgrade.

"The three months of the moratorium are precisely the time which should be used to draw up that account," says Draga Djuric, emphasizing at the same time that that job will not be free of the risk of new disagreements and conflicts.

How Large Is the Foreign Debt

The country's convertible debt, which is in any case considerably "heavier" than the official recorded \$16 billion (because of postponed payment of the principal), according to data as of 31 December 1990 is divided as follows: Bosnia-Herzegovina 10.2 percent, Montenegro 3.5 percent, Croatia 18.1 percent, Macedonia 4.7 percent, Slovenia 11.9 percent, Serbia proper 20.4 percent, Vojvodina 5.2 percent, Kosmet 4.6 percent, and the Federation 21.7 percent. That is what is known with certainty. It is also well known that most of the debt consists of financial credits (converted to dinars), 23 percent went for equipment, and more than 5 percent went for production supplies. All the rest is unknown.

"I am referring above all," Dragana Djuric says, "to the criteria with which one is to arrive at the calculation, to the scientific institutions which should verify them, and most of all to the possibility of establishing the ultimate users of a not very small percentage of the debt which the Federation owes."

Every republic and, of course, the Federation, Dragana said, must draw up a balance sheet for division insofar as that is possible. We do not know how successful we will be in this, because it is sufficient to remember that not so long ago, at the time when the debt crisis broke out, in our ignorance we had to call in foreigners for help in computing it.

As she put it, it is also necessary to establish what is to be divided, taking care that the "dowry" does not include only the foreign debt, but also the balance for division of joint enterprises and many other things which were at one time jointly financed by all or several of the republics.

"One of the possible criteria and, it seems to me, most objective one," Dragana Djuric says, "is participation of the various federal units in the social product. I suppose, however, that the official reactions of Slovenia and Croatia would be that this does not suit them and that they prefer the size of the population as the criterion, precisely the criterion which at one time, at the time of the elections, did not suit them."

All in all, in the days of the truce that lies ahead of us we should do everything to draw up the balance sheet for division, so that these calculations are estimated, and so that the reaction to them comes in good time. It is more than a certainty that there will be reactions, regardless of the criteria used for computing the balance sheet for division. At one time, Dragana Djuric recalls, it was calculated on the basis of coefficients that Serbia, with mostly a raw materials base and agricultural products, has been losing for years because of the price disparity—even as much as 30 percent of its income. It is difficult to believe that it will be possible to attribute this to calculation of the balance sheet for division. It can only serve as a lesson for the future.

Make the Calculation as Soon as Possible

According to Dragana Djuric, consideration will also have to be given to the structure of the debt in terms of foreign currency. Most of it—47 percent—was obtained in dollars, and 20 percent in German marks. The amount a republic owed and the currency in which it was denominated will determine its obligation on the basis of exchange rate differences. In any case, 24 percent of the total debt was taken from international financial organizations, 47 percent from the EC, 8.5 percent from the EFTA [European Free Trade Association], 19.7 percent from other industrially advanced countries, and 14 percent from the United States.

Dragana Djuric also mentions as a possible criterion the share in exports and imports, but she immediately notes that this would not suit Serbia, or Slovenia, or Croatia.

That in spite of everything, when it comes to presenting the bills, we must quickly agree, there is the fact that the foreigners are not in the least interested who actually used the money given in the form of credit to Yugoslavia as the only entity with international recognition. If Yugoslavia is late in its dealings with the foreign creditor because of anyone's tardiness, Dragana Djuric says, our moratorium will not be removed. And that means: paying more than things are worth—attachment of our accounts abroad, an end to economic transactions with the world, isolation. We will see, then, the exotic example of a country which at the moment of integrations all around is coming apart.

In view of the obligations that Yugoslavia has assumed, after it disintegrates into those [republics] that have disassociated and the remainder of Yugoslavia, is it possible that those who have disassociated will evade their obligations?

"Our practice has demonstrated that everything is possible. But if those who might possibly want to avoid their obligations are so 'intelligent,' the remainder of Yugoslavia would not have to be so stupid," says Dragana Djuric. And therefore she advises: The balance sheet for division should be drawn up as urgently as possible during these three months, while Yugoslavia as a whole still exists on paper.

Economists Discuss FEC 'Shock' Program

91BA0920B Belgrade POLITIKA in Serbo-Croatian
13 Jul 91 p 7

[Article by B. Dumic: "Postponing the Hour of Judgment"]

[Text] The Federal Government has adopted a shock program which is an expression of desperation and helplessness, because the economy is also in a state of shock. This radical and short-term program is supposed to prevent the country's financial collapse. We tried to learn from an economist how it will operate.

"The miniprogram of the FEC [Federal Executive Council] is aimed above all at halting the rapid erosion of foreign exchange reserves, whose level even now has fallen below an acceptable minimum, and there are significant prospects that in the brief period ahead they will fall to an impermissibly low level that would have grave economic, social, and even medical consequences. It is not clear why it is called a minishock program! It might rather be said that it claims to postpone for a short time the hour of judgment of collapse of the Yugoslav economy," says Dr. Mladjen Kovacevic. In his opinion, this program is very late in coming, but aside from that, he feels it is also defective in its principal commitments.

Grave Consequences

Professor Kovacevic says that the shock program is a consequence of the FEC's risky policy conducted last year and the first half of this year in the sphere of foreign trade and foreign exchange policy.

Dinar convertibility was proclaimed when the political and economic conditions for this did not exist, and at the same time the policy of the unrealistic rate of foreign exchange, which has been conducted for 18 months now, and the abruptly increased liberalization of imports have had the consequence of an immense growth of imports and an outflow of foreign exchange, while at the same time exports and the inflow of foreign exchange have been discouraged.

And now this miniprogram of the FEC announces severe restrictions on imports. At the same time, it does not envisage correction of the exchange rate, which is a sign that the FEC is continuing to conduct a policy of underestimating the value of foreign currencies. And that, in the opinion of Dr. Kovacevic, continues to discourage exports and the inflow of foreign exchange. The effects of this miniprogram cannot yield the desired result even if imports should fall off. This, after all, will have very negative consequences: a shortage of imported goods, frequently needed necessities, and also of our products based on imported components; and then a further drop in industrial production, a growth of inflation, and a decline in the quality of our products, Dr. Kovacevic adds.

In the opinion of Dr. Radovan Kovacevic of the Foreign Trade Institute, the intervention of the National Bank of Yugoslavia [NBJ] on the foreign exchange market referred to in the shock program does not offer any significant innovations, because the NBJ has mainly been intervening on the foreign exchange market since the beginning of this year only in order to pay fixed and guaranteed obligations abroad.

The Budget More Important Than the Economy

"We have in the program only de facto recognition that future export-import transactions will take place in a context in which the foreign exchange market is not operating, which will guide the economy into various barter arrangements and will force it to keep abroad an ever larger share of the foreign exchange it obtains from exports so that it can pay for future imports. This will inevitably have the impact of a further decline of exports, with all the negative consequences for the balance of payments. There is every prospect that this will mean an ever stronger restriction on import transactions and the country's further isolation from the influence of the world market," Dr. Radovan Kovacevic said.

He also believes that when it comes to monetary policy, the Federal Government's shock program is more concerned about the budget than about the economy, for which it was supposedly drawn up.

Activation of primary note issue to finance the budget under present conditions is not only a potential source of pressure on inflation, but, Dr. Kovacevic says, it is also an additional limiting factor on monetary policy. What is more, viewed from the standpoint of the IMF it is not popular for the Federal Government to borrow from the NBJ. If negotiations are undertaken with the International Monetary Fund to remove the new standby arrangement, we would have to expect their demand that this form of financing the budget be eliminated. At the same time, however, there are no real sources in the budget to cover the foreign exchange savings of individuals, and primary note issue is already excessively committed on that basis.

The entire shock program is actually based on the expectation of new foreign resources. If they are not forthcoming, and at the moment that is probable, then the program has only sanctioned the push that carries the economy to ruin. There is growing mistrust abroad about doing business with Yugoslavia, new financial resources are not forthcoming, exports are drying up, foreign exchange reserves are declining, and the balance of payments is deteriorating. We are threatened with a disintegration of payments transactions within the country, and the economy is moving faster and faster toward collapse, Dr. Kovacevic said in conclusion.

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